



GARIEP MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2014

GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

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GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2014

GENERAL INFORMATION

GENERAL INFORMATION

Gariep Municipality (the municipality) is a local government institution in Burgersdorp, Eastern Province, and is one of four local municipalities under the jurisdiction of the Joe Gqabi District Municipality. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

EXECUTIVE MAYOR

NW Ngoqo

GRADING OF THE LOCAL AUTHORITY

Grade 2

EXTERNAL AUDITORS

Office of the Auditor General (East London)
PO Box 13252
East London
5217

PRIMARY BANKER

ABSA Bank

REGISTERED OFFICE

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Burgersdorp
9744

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GARIEP MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 117, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

T MAWONGA
MUNICIPAL MANAGER
31 August 2014

ML MOSALA
CHIEF FINANCIAL OFFICER
31 August 2014

GARIEP MUNICIPALITY
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MEMBERS OF THE COUNCIL

Cllr. NW Ngoqo
Cllr. SB Kolase
Cllr. E Brien
Cllr. MK Mnyombolo
Cllr. TZ Notyeke
Cllr. N Mabunu
Cllr. B Kweyiya
Cllr. P Kayster
Cllr. AM van Zyl
Cllr. NTT Kula

Mayor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor
Councillor

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

T MAWONGA
MUNICIPAL MANAGER
31 August 2014

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AUDIT REPORT

The 2013/14 Audit Report will be attached hereto when received, after the completion of the statutory audit.

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for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Gariep Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2012/13 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2014 indicates an increase in Net Assets, an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants which is more than the increase in Payables.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) before Appropriations	(22 266 458)	(19 648 186)
Surplus / (Deficit) at the end of the Year	274 158 259	296 424 717
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.58%	28.21%
Remuneration of Councillors	2.66%	2.89%
Depreciation and Amortisation	19.23%	20.46%
Impairment Losses	3.98%	4.04%
Repairs and Maintenance	1.03%	1.59%
Interest Paid	4.28%	2.40%
Bulk Purchases	17.13%	18.97%
Contracted Services	11.00%	9.31%
Grants and Subsidies Paid	1.03%	0.82%
General Expenses	12.09%	11.31%
Current Ratio:		
Trade Creditors Days	431	283
Debtors from Exchange Transactions Days	92	101

2.2 Performance Indicators:

INDICATOR	2014	2013
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	36.72%	43.16%
Outstanding Service Debtors to Revenue	74.21%	79.04%
Liquidity Management:		
Liquidity Ratio	0.01	0.01
Liability Management:		
Capital Cost as percentage of Own Revenue	17.62%	12.16%
Borrowing as percentage of Total Capital Assets	0.93%	1.39%
Safety of Capital:		
Gearing	1.20%	1.69%
Financial Viability:		
Debt Coverage	14.34	17.99
Cost Coverage	0.02	0.01

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "EC(1), EC(2) and E(3)".

The services offered by Gariep Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	296 424 717	109 842 757	169.86	-	100.00
Operating income for the year	85 073 751	80 878 153	5.19	98 809 789	(13.90)
	381 498 467	190 720 910	100.03	98 809 789	286.09
Expenditure:					
Operating expenditure for the year	107 340 209	100 526 339	6.78	147 075 186	(27.02)
Sundry transfers	-	(206 230 146)	(100.00)	-	-
Closing surplus / (deficit)	274 158 259	296 424 717	(7.51)	(48 265 397)	(668.02)
	381 498 467	190 720 910	100.03	98 809 789	286.09

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	53 814 774	49 686 554	8.31	61 714 211	(12.80)
Expenditure	76 672 643	66 232 541	15.76	91 231 593	(15.96)
Surplus / (Deficit)	(22 857 869)	(16 545 987)	38.15	(29 517 382)	(22.56)
Surplus / (Deficit) as % of total income	(42.48)%	(33.30)%		(47.83)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	-	-	-	-	-
Expenditure	484 800	610 136	(20.54)	521 209	(6.99)
Surplus / (Deficit)	(484 800)	(610 136)	(20.54)	(521 209)	(6.99)
Surplus / (Deficit) as % of total income	(100.00)%	(100.00)%		(100.00)%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	17 668 197	14 941 370	18.25	18 268 543	(3.29)
Expenditure	3 400 965	6 186 370	(45.02)	10 561 728	(67.80)
Surplus / (Deficit)	14 267 232	8 755 000	62.96	7 706 815	85.12
Surplus / (Deficit) as % of total income	80.75%	58.60%		42.19%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R18 389 777 (2013: R19 070 499). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	13 590 779	16 250 228	(16.37)	18 827 035	(27.81)
Expenditure	26 781 801	27 497 291	(2.60)	44 760 657	(40.17)
Surplus / (Deficit)	(13 191 022)	(11 247 062)	17.28	(25 933 621)	(49.14)
Surplus / (Deficit) as % of total income	(97.06)%	(69.21)%		(137.75)%	

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2014	2013
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	(48 265 397)	-
Revenue variances	(13 736 039)	80 878 153
Expenditure variances:		
Employee Related Costs	2 483 143	(28 357 300)
Remuneration of Councillors	54 279	(2 905 958)
Collection Costs	-	-
Depreciation and Amortisation	(12 546 090)	(20 572 382)
Impairment Losses	(1 311 595)	(4 063 232)
Repairs and Maintenance	1 724 106	(1 599 994)
Interest Paid	(2 192 470)	(2 408 884)
Bulk Purchases	20 417 079	(19 070 499)
Contracted Services	985 483	(9 355 347)
Grants and Subsidies Paid	27 642 334	(827 950)
General Expenses	2 478 708	(11 364 793)
Actual surplus before appropriations	(22 266 458)	(19 648 186)

DETAILS	2014	2013
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	(48 265 397)	(38 871 232)
Executive and Council	3 805 538	1 395 973
Finance and Administration	7 142 871	23 228 515
Health	(4 757)	125 985
Community and Social Services	140 660	1 606 041
Housing	36 409	71 244
Public Safety	589 501	639 524
Sport and Recreation	(73 292)	188 925
Waste Management	6 560 417	7 153 788
Roads and Transport	(10 660 934)	(6 614 269)
Water	-	(5 265 167)
Electricity	12 742 599	(5 379 679)
Other	5 719 927	2 072 167
Actual surplus before appropriations	(22 266 458)	(19 648 186)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E(1), E(2) and E(3)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R274 158 259 (30 June 2013: R296 424 717) and is made up as follows:

Accumulated Surplus	274 158 259
	<u>274 158 259</u>

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R3 300 112 (R5 004 660).

Refer to Note 16 and Appendix "A" for more detail.

7. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R14 348 000 as at 30 June 2014 (30 June 2013: R14 684 000) and is made up as follows:

Post-retirement Health Care Benefits Liability	12 369 000
Long Service Awards Liability	1 978 999
	<u>14 348 000</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 17 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R1 177 220 as at 30 June 2014 (30 June 2013: R1 172 463) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	1 177 220
	<u>1 177 220</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 18 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R90 377 147 as at 30 June 2014 (30 June 2013: R70 125 408) and is made up as follows:

Consumer Deposits	Note 11	60 241
Provisions	Note 12	762 607
Payables from Exchange Transactions	Note 13	52 624 019
Payables from Non-exchange Transactions	Note 14	31 465 635
Unspent Conditional Grants and Receipts	Note 15	3 630 574
Current Portion of Long-term Liabilities	Note 16	1 834 072
		<u>90 377 147</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R324 629 321 as at 30 June 2014 (30 June 2013: R333 213 829).

Refer to Note 6 and Appendices "B, C and E (4)" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R517 546 as at 30 June 2014 (30 June 2013: R775 965).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 7 for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R28 736 907 as at 30 June 2014 (30 June 2013: R24 715 795).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 8 for more detail.

13. HERITAGE ASSETS

The net value of Heritage Assets were R213 000 as at 30 June 2014 (30 June 2013: R213 000).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 9 for more detail.

14. CURRENT ASSETS

Current Assets amounted R29 019 188 as at 30 June 2014 (30 June 2013: R28 327 784) and is made up as follows:

Inventories	Note 1	102 722
Receivables from Exchange Transactions	Note 2	7 664 385
Receivables from Non-exchange Transactions	Note 3	17 022 367
VAT Receivable	Note 4	2 879 986
Cash and Cash Equivalents	Note 5	1 349 729
		<u>29 019 188</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

15. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 15 and 22, and Appendix "D" for more detail.

16. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 49.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2014

GARIEP MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

		Actual	
	Note	2014 R	2013 Restated R
ASSETS			
Current Assets		29 019 188	28 327 784
Inventories	1	102 722	216 125
Receivables from Exchange Transactions	2	7 664 385	7 422 885
Receivables from Non-exchange Transactions	3	17 022 367	18 642 185
VAT Receivable	4	2 879 986	1 163 085
Cash and Cash Equivalents	5	1 349 729	883 504
Non-Current Assets		354 341 548	359 083 464
Property, Plant and Equipment	6	324 629 321	333 213 829
Intangible Assets	7	517 546	775 965
Investment Property	8	28 736 907	24 715 795
Heritage Assets	13	213 000	213 000
Biological Assets	10	244 775	164 875
Total Assets		383 360 737	387 411 247
LIABILITIES			
Current Liabilities		90 377 147	70 125 408
Consumer Deposits	11	60 241	128 381
Provisions	12	762 607	670 000
Payables from Exchange Transactions	13	52 624 019	32 447 957
Payables from Non-exchange Transactions	14	31 465 635	27 281 342
Unspent Conditional Grants and Receipts	15	3 630 574	6 756 658
Current Portion of Long-term Liabilities	16	1 834 072	2 841 070
Non-Current Liabilities		18 825 331	20 861 123
Long-term Liabilities	16	3 300 112	5 004 660
Employee Benefit Liabilities	17	14 348 000	14 684 000
Non-current Provisions	18	1 177 220	1 172 463
Total Liabilities		109 202 478	90 986 530
Total Assets and Liabilities		274 158 259	296 424 717
NET ASSETS		274 158 259	296 424 717
Accumulated Surplus / (Deficit)	N/A	274 158 259	296 424 717
Total Net Assets		274 158 259	296 424 717

GARIEP MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

		Actual	
	Note	2014	2013
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	19	7 637 441	6 292 100
Property Rates - Penalties and collection charges	26	34 986	-
Fines	20	14 443	22 218
Income from Agency Services	21	3 440 537	1 069 619
Government Grants and Subsidies Received	22	43 620 022	45 985 193
Public Contributions and Donations	23	-	1 754
Revenue from Exchange Transactions			
Service Charges	24	22 789 054	20 506 124
Rental of Facilities and Equipment	25	184 862	131 398
Interest Earned - External Investments	26	179 156	106 388
Interest Earned - Outstanding Debtors	26	2 619 579	6 045 543
Other Revenue	27	424 696	717 814
Fair Value Gains	38	4 128 975	-
Total Revenue		85 073 751	80 878 153
EXPENDITURE			
Employee Related Costs	28	29 606 896	28 357 300
Remuneration of Councillors	29	2 853 279	2 905 958
Depreciation and Amortisation	30	20 640 581	20 572 382
Impairment Losses	31	4 267 624	4 063 232
Repairs and Maintenance	32	1 104 571	1 599 994
Finance Costs	33	4 592 470	2 408 884
Bulk Purchases	34	18 389 777	19 070 499
Contracted Services	35	11 809 329	9 355 347
Grants and Subsidies Paid	36	1 101 377	827 950
General Expenses	37	12 974 305	11 364 793
Total Expenditure		107 340 209	100 526 339
SURPLUS / (DEFICIT) FOR THE YEAR		(22 266 458)	(19 648 186)
Refer to Budget Statement for explanation of budget variances			

GARIEP MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Total for Accumulated Surplus/(Deficit) Account	Total
2013	R	R
Balance at 30 June 2012	109 842 757	109 842 757
Correction of Error (Note 40)	206 230 146	206 230 146
Restated Balance	316 072 903	316 072 903
Surplus / (Deficit) for the year	(19 648 186)	(19 648 186)
Net gains / (losses) not recognised in the Statement of Financial Performance	-	-
Offsetting of Depreciation	-	-
Balance at 30 June 2013	296 424 717	296 424 717
2014		
Change in Accounting Policy (Note 39)	-	-
Correction of Error (Note 40)	-	-
Restated Balance	296 424 717	296 424 717
Surplus / (Deficit) for the year	(22 266 458)	(22 266 458)
Contributions to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Balance at 30 June 2014	274 158 259	274 158 259

Details on the movement of the Funds and Reserves are set out in Note N/A.

GARIEP MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Actual	
	2014	2013
	R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Property Rates	5 586 235	6 850 459
Government Grant and Subsidies	40 493 938	39 888 949
Public Contributions and Donations	-	1 754
Service Charges	21 949 776	12 624 964
Interest Received	179 156	106 388
Other Receipts	9 063 037	6 199 612
Payments		
Employee Related Costs	(29 850 290)	(28 290 300)
Remuneration of Councillors	(2 853 279)	(2 905 958)
Interest Paid	(4 592 470)	(2 408 884)
Suppliers Paid	(11 014 213)	(7 757 287)
Other Payments/Adjustments	(14 046 338)	(16 689 107)
NET CASH FLOWS FROM OPERATING ACTIVITIES	14 915 553	7 620 590
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(11 737 781)	(8 015 416)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(11 737 781)	(8 015 416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase / (Decrease) in Long Term Liabilities	(2 711 547)	(1 833 590)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(2 711 547)	(1 833 590)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	466 225	(2 228 416)
Cash and Cash Equivalents at Beginning of Period	883 504	3 111 920
Cash and Cash Equivalents at End of Period	1 349 729	883 504

GARIEP MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	-	-	-	-	-	-	102 722	-	102 722	0.00	0.00
Non-current Assets Held-for-Sale	-	-	-	-	-	-	-	-	-	0.00	0.00
Receivables from Exchange Transactions	93 580 508	-	93 580 508	-	-	93 580 508	7 664 385	-	(85 916 123)	8.19	8.19
Receivables from Non-exchange Transactions	-	-	-	-	-	-	17 022 367	-	17 022 367	0.00	0.00
VAT Receivable	-	-	-	-	-	-	2 879 986	-	2 879 986	0.00	0.00
Cash and Cash Equivalents	461 352	-	461 352	-	-	461 352	1 349 729	-	888 377	292.56	292.56
Non-Current Assets											
Property, Plant and Equipment	91 821 875	-	91 821 875	-	-	91 821 875	324 629 321	-	232 807 446	353.54	353.54
Intangible Assets	-	-	-	-	-	-	517 546	-	517 546	0.00	0.00
Investment Property	-	-	-	-	-	-	28 736 907	-	28 736 907	0.00	0.00
Heritage Assets	-	-	-	-	-	-	213 000	-	213 000	0.00	0.00
Total Assets	185 863 735	-	185 863 735	-	-	185 863 735	383 360 737	-	197 497 002	206.26	206.26
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	60 241	-	60 241	0.00	0.00
Provisions	-	-	-	-	-	-	762 607	-	762 607	0.00	0.00
Payables from Exchange Transactions	-	-	-	-	-	-	52 624 019	-	52 624 019	0.00	0.00
Payables from Non-exchange Transactions	21 700 635	-	21 700 635	-	-	21 700 635	31 465 635	-	9 765 000	145.00	145.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	3 630 574	-	3 630 574	0.00	0.00
Non-Current Liabilities											
Retirement Benefit Liabilities	480 718	-	480 718	-	-	480 718	14 348 000	-	13 867 281	2 984.70	2 984.70
Non-current Provisions	-	-	-	-	-	-	1 177 220	-	1 177 220	0.00	0.00
Total Liabilities	25 042 978	-	25 042 978	-	-	25 042 978	109 202 478	-	84 159 499	436.06	436.06
Total Assets and Liabilities	160 820 756	-	160 820 756	-	-	160 820 756	274 158 259	-	113 337 503	170.47	170.47
Net Assets (Equity)											
Reserves	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	160 820 756	-	160 820 756	-	-	160 820 756	274 158 259	-	113 337 503	170.47	170.47
Total Net Assets	160 820 756	-	160 820 756	-	-	160 820 756	274 158 259	-	113 337 503	170.47	170.47

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	-	-	-	-	-	-	7 637 441	-	7 637 441	0.00	0.00
Property Rates - Penalties imposed and collection charges	6 923 924	1 029 610	7 953 533	-	(0)	7 953 533	34 986	-	(7 918 547)	0.44	0.51
Fines	104 524	(85 894)	18 630	-	-	18 630	14 443	-	(4 186)	77.53	13.82
Licences and Permits	-	-	-	-	-	-	-	-	-	0.00	0.00
Income for Agency Services	4 902 074	(158 048)	4 744 026	-	-	4 744 026	3 440 537	-	(1 303 490)	72.52	70.19
Government Grants and Subsidies Received	56 992 160	(6 019 914)	50 972 246	-	117 000	51 089 246	16 303 942	-	(34 785 304)	31.91	28.61
Revenue from Exchange Transactions											
Service Charges	46 303 881	(18 781 110)	27 522 771	-	(0)	27 522 771	22 789 054	-	(4 733 718)	82.80	49.22
Rental of Facilities and Equipment	449 326	(40 185)	409 141	-	0	409 141	184 862	-	(224 279)	45.18	41.14
Interest Earned - External Investments	1 071 151	19 566	1 090 717	-	(0)	1 090 717	179 156	-	(911 561)	16.43	16.73
Interest Earned - Outstanding Debtors	4 224	5 449 740	5 453 964	-	-	5 453 964	2 619 579	-	(2 834 385)	48.03	62 016.55
Other Income	327 535	200 227	527 762	-	(1)	527 761	424 696	-	(103 065)	80.47	129.66
Total Revenue	117 078 799	(18 386 008)	98 692 791	-	116 999	98 809 789	57 757 671	-	(41 052 119)	58.45	49.33
Expenditure											
Employee Related Costs	38 058 194	(6 381 514)	31 676 680	-	413 358	32 090 039	29 606 896	-	(2 483 143)	92.26	77.79
Remuneration of Councillors	1 780 717	1 134 041	2 914 758	-	(7 200)	2 907 558	2 853 279	-	(54 279)	98.13	160.23
Depreciation and Amortisation	8 094 490	-	8 094 490	-	(0)	8 094 490	20 640 581	12 546 090	12 546 090	255.00	255.00
Impairment Losses	2 506 029	-	2 506 029	-	450 000	2 956 029	4 267 624	1 311 595	1 311 595	144.37	170.29
Repairs and Maintenance	2 848 666	125 669	2 974 335	-	(145 658)	2 828 677	1 104 571	-	(1 724 106)	39.05	38.78
Finance Costs	1 958 420	651 413	2 609 833	-	(209 833)	2 400 000	4 592 470	2 192 470	2 192 470	191.35	234.50
Bulk Purchases	38 806 856	-	38 806 856	-	0	38 806 856	18 389 777	-	(20 417 079)	47.39	47.39
Contracted Services	11 219 293	1 571 145	12 790 437	-	4 375	12 794 812	11 809 329	-	(985 483)	92.30	105.26
Grants and Subsidies Paid	31 019 742	(2 358 967)	28 660 774	-	82 937	28 743 711	1 101 377	-	(27 642 334)	3.83	3.55
General Expenses	18 136 291	(2 212 577)	15 923 714	-	(470 701)	15 453 013	12 974 305	-	(2 478 708)	83.96	71.54
Total Expenditure	154 428 698	(7 470 790)	146 957 908	-	117 279	147 075 186	107 340 209	16 050 155	(39 734 978)	72.98	69.51
Surplus/(Deficit)	(37 349 899)	(10 915 218)	(48 265 117)	-	(280)	(48 265 397)	(49 582 538)	(16 050 155)	(1 317 141)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	27 316 080	27 316 080	27 316 080	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	(37 349 899)	(10 915 218)	(48 265 117)	-	(280)	(48 265 397)	(22 266 458)	11 265 924	25 998 939	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) for the Year	(37 349 899)	(10 915 218)	(48 265 117)	-	(280)	(48 265 397)	(22 266 458)	11 265 924	25 998 939	-	-

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Depreciation and Amortisation:

Depreciation and Amortisation increased beyond budgetary expectations.

Impairment Losses:

Under budgeted for Impairment Losses on Receivables.

Finance Costs:

Finance Costs increased beyond budgetary expectations due to incorrect accounting treatment of Finance Leases and interest charged on late payments of suppliers.

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	62 114 000	-	62 114 000	-	(15 064 500)	47 049 500	5 586 235	-	(41 463 265)	11.87	8.99
Grants	46 346 000	-	46 346 000	-	5 449 000	51 795 000	40 493 938	-	(11 301 062)	78.18	87.37
Public Contributions and Donations	-	-	-	-	-	-	-	-	-	0.00	0.00
Service Charges	-	-	-	-	-	-	21 949 776	21 949 776	21 949 776	0.00	0.00
Interest Received	-	-	-	-	-	-	179 156	179 156	179 156	0.00	0.00
Other Receipts	-	-	-	-	-	-	9 063 037	9 063 037	9 063 037	0.00	0.00
Employee Related Costs	(39 046 281)	-	(39 046 281)	-	4 537 409	(34 508 872)	(29 850 290)	4 658 583	4 658 583	0.00	0.00
Remuneration of Councillors	(1 548 674)	-	(1 548 674)	-	(811 448)	(2 360 122)	(2 853 279)	-	(493 157)	0.00	0.00
Interest Paid	(240 000)	-	(240 000)	-	-	(240 000)	(4 592 470)	-	(4 352 470)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(11 014 213)	-	(11 014 213)	0.00	0.00
Other Payments	(113 716 045)	-	(113 716 045)	-	3 715 082	(110 000 963)	(14 046 338)	95 954 625	95 954 625	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(19 383 000)	-	(19 383 000)	-	-	(19 383 000)	(11 737 781)	7 645 219	7 645 219	0.00	0.00
Decrease / (Increase) in Long-term Receivables	(200 000)	-	(200 000)	-	(109 833)	(309 833)	-	309 833	309 833	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	-	-	-	-	-	-	(2 711 547)	-	(2 711 547)	0.00	0.00
Cash and Cash Equivalents at End of the Year	(65 674 000)	-	(65 674 000)	-	(2 284 290)	(67 958 290)	466 225	139 760 229	68 424 515	0.00	0.00

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	-	-	-	-	-	-	216 125	-	216 125	0.00	0.00
Receivables from Exchange Transactions	88 617 905	-	88 617 905	-	-	88 617 905	7 422 885	-	(81 195 020)	8.38	8.38
Receivables from Non-exchange Transactions	-	-	-	-	-	-	18 642 185	-	18 642 185	0.00	0.00
VAT Receivable	-	-	-	-	-	-	1 163 085	-	1 163 085	0.00	0.00
Cash and Cash Equivalents	460 352	-	460 352	-	-	460 352	883 504	-	423 152	191.92	191.92
Non-Current Assets											
Property, Plant and Equipment	68 987 134	6 898 713	75 885 847	-	7 588 585	83 474 432	333 213 829	-	249 739 397	399.18	483.01
Intangible Assets	-	-	-	-	-	-	775 965	-	775 965	0.00	0.00
Investment Property	-	-	-	-	-	-	24 715 795	-	24 715 795	0.00	0.00
Heritage Assets	-	-	-	-	-	-	213 000	-	213 000	0.00	0.00
Total Assets	158 065 391	6 898 713	164 964 104	-	7 588 585	172 552 689	387 411 247	-	214 858 559	224.52	245.10
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	128 381	-	128 381	0.00	0.00
Provisions	-	-	-	-	-	-	670 000	-	670 000	0.00	0.00
Payables from Exchange Transactions	-	-	-	-	-	-	32 447 957	-	32 447 957	0.00	0.00
Payables from Non-exchange Transactions	27 515 701	-	27 515 701	-	-	27 515 701	27 281 342	-	(234 359)	99.15	99.15
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	6 756 658	-	6 756 658	0.00	0.00
Current Portion of Long-term Liabilities	248 575	-	248 575	-	-	248 575	2 841 070	-	2 592 495	1 142.94	1 142.94
Non-Current Liabilities											
Retirement Benefit Liabilities	449 900	-	449 900	-	-	449 900	14 684 000	-	14 234 100	3 263.84	3 263.84
Non-current Provisions	-	-	-	-	-	-	1 172 463	-	1 172 463	0.00	0.00
Total Liabilities	30 684 127	-	30 684 127	-	-	30 684 127	90 986 530	-	60 302 403	296.53	296.53
Total Assets and Liabilities	127 381 264	6 898 713	134 279 977	-	7 588 585	141 868 562	296 424 717	-	154 556 155	208.94	232.71
Net Assets (Equity)											
Statutory Funds	-	-	-	-	-	-	-	-	-	0.00	0.00
Accumulated Surplus / (Deficit)	127 381 264	6 898 713	134 279 977	-	7 588 585	141 868 562	296 424 717	-	154 556 155	208.94	232.71
Total Net Assets	127 381 264	6 898 713	134 279 977	-	7 588 585	141 868 562	296 424 717	-	154 556 155	208.94	232.71
							0		0		

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	-	-	-	-	-	-	6 292 100	-	6 292 100	0.00	0.00
Property Rates - Penalties imposed and collection charges	-	-	-	-	6 556 746	6 556 746	-	-	(6 556 746)	0.00	0.00
Fines	-	-	-	-	98 981	98 981	22 218	-	(76 763)	22.45	0.00
Licences and Permits	-	-	-	-	-	-	-	-	-	0.00	0.00
Income for Agency Services	-	-	-	-	2 870 282	2 870 282	1 069 619	-	(1 800 663)	37.27	0.00
Government Grants and Subsidies Received	-	-	-	-	49 843 920	49 843 920	18 774 159	-	(31 069 761)	37.67	0.00
Public Contributions and Donations	-	-	-	-	-	-	1 754	-	1 754	0.00	0.00
Revenue from Exchange Transactions											
Service Charges	-	-	-	-	50 193 916	50 193 916	20 506 124	-	(29 687 792)	40.85	0.00
Rental of Facilities and Equipment	-	-	-	-	133 924	133 924	131 398	-	(2 526)	98.11	0.00
Interest Earned - External Investments	-	-	-	-	1 014 348	1 014 348	106 388	-	(907 960)	10.49	0.00
Interest Earned - Outstanding Debtors	-	-	-	-	152 418	152 418	6 045 543	-	5 893 126	3 966.43	0.00
Other Income	-	-	-	-	162 575	162 575	717 814	-	555 239	441.53	0.00
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	-	-	-	-	111 027 110	111 027 110	53 667 118	-	(57 359 992)	48.34	0.00
Expenditure											
Employee Related Costs	-	-	-	-	34 095 658	34 095 658	28 357 300	-	(5 738 358)	83.17	0.00
Remuneration of Councillors	-	-	-	-	3 052 499	3 052 499	2 905 958	-	(146 541)	95.20	0.00
Depreciation and Amortisation	-	-	-	-	7 665 237	7 665 237	20 572 382	12 907 145	12 907 145	268.39	0.00
Impairment Losses	-	-	-	-	5 075 184	5 075 184	4 063 232	-	(1 011 951)	80.06	0.00
Repairs and Maintenance	-	-	-	-	2 013 675	2 013 675	1 599 994	-	(413 681)	79.46	0.00
Finance Costs	-	-	-	-	1 825 259	1 825 259	2 408 884	583 625	583 625	131.97	0.00
Bulk Purchases	-	-	-	-	24 644 808	24 644 808	19 070 499	-	(5 574 309)	77.38	0.00
Contracted Services	-	-	-	-	10 299 161	10 299 161	9 355 347	-	(943 814)	90.84	0.00
Grants and Subsidies Paid	-	-	-	-	37 622 295	37 622 295	827 950	-	(36 794 345)	2.20	0.00
General Expenses	-	-	-	-	23 604 565	23 604 565	11 364 793	-	(12 239 772)	48.15	0.00
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	-	-	-	-	149 898 342	149 898 342	100 526 339	13 490 770	(49 372 003)	67.06	0.00
Surplus/(Deficit)	-	-	-	-	(38 871 232)	(38 871 232)	(46 859 220)	(13 490 770)	(7 987 989)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	27 211 034	27 211 034	27 211 034	0.00	0.00
Surplus/(Deficit) after Capital Transfers and	-	-	-	-	(38 871 232)	(38 871 232)	(19 648 186)	13 720 265	19 223 046	0.00	0.00
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	-	0.00	0.00
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	-	0.00	0.00
Surplus/(Deficit) for the Year	-	-	-	-	(38 871 232)	(38 871 232)	(19 648 186)	13 720 265	19 223 046	-	-

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	486 853	-	486 853	-	(486 853)	0	0	-	-	0.00	0.00
Finance and Administration	1 566 968	-	1 566 968	-	(1 566 968)	-	-	-	-	0.00	0.00
Planning and Development	259 965	-	259 965	-	(259 965)	-	-	-	-	0.00	0.00
Community and Social Services	9 266 339	-	9 266 339	-	(9 266 339)	-	882 680	882 680	882 680	0.00	9.53
Housing	-	-	-	-	-	-	-	-	-	0.00	0.00
Public Safety	1 119 600	-	1 119 600	-	(1 119 600)	-	-	-	-	0.00	0.00
Sport and Recreation	27 158 357	-	27 158 357	-	(27 158 357)	-	-	-	-	0.00	0.00
Environmental Protection	3 000	-	3 000	-	(3 000)	-	-	-	-	0.00	0.00
Waste Management	15 317 236	-	15 317 236	-	(15 317 236)	-	-	-	-	0.00	0.00
Roads and Transport	86 223 155	-	86 223 155	-	(86 223 155)	-	-	-	-	0.00	0.00
Water	83 133 207	-	83 133 207	-	(83 133 207)	-	-	-	-	0.00	0.00
Electricity	24 031 761	-	24 031 761	-	(24 031 761)	-	(4 877 914)	-	(4 877 914)	0.00	0.00
Other	900	-	900	-	(900)	-	-	-	-	0.00	0.00
Total Capital Expenditure	248 567 341	-	248 567 341	-	(248 567 341)	-	(3 995 234)	882 680	(3 995 234)	0.00	0.00

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	61 085 413	7 670 423	68 755 836	-	-	68 755 836	6 850 459	-	(61 905 377)	9.96	11.21
Grants	51 170 000	(7 888 000)	43 282 000	-	-	43 282 000	39 888 949	-	(3 393 051)	92.16	77.95
Public Contributions and Donations	-	-	-	-	-	-	1 754	1 754	1 754	0.00	0.00
Service Charges	-	-	-	-	-	-	12 624 964	12 624 964	12 624 964	0.00	0.00
Interest Received	-	-	-	-	-	-	106 388	106 388	106 388	0.00	0.00
Other Receipts	-	-	-	-	-	-	6 199 612	6 199 612	6 199 612	0.00	0.00
Employee Related Costs	(40 391 531)	7 211 157	(33 180 374)	-	-	(33 180 374)	(28 290 300)	4 890 074	4 890 074	0.00	0.00
Remuneration of Councillors	(2 653 500)	(398 999)	(3 052 499)	-	-	(3 052 499)	(2 905 958)	146 541	146 541	0.00	0.00
Interest Paid	(1 015 425)	-	(1 015 425)	-	-	(1 015 425)	(2 408 884)	-	(1 393 459)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(7 757 287)	-	(7 757 287)	0.00	0.00
Other Payments	(89 171 311)	(5 889 982)	(95 061 293)	-	-	(95 061 293)	(16 689 107)	78 372 186	78 372 186	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(14 156 000)	(4 180 877)	(18 336 877)	-	-	(18 336 877)	(8 015 416)	10 321 461	10 321 461	0.00	0.00
Purchase of Intangible Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Profit on Sale of Land	-	-	-	-	-	-	-	-	-	0.00	0.00
Decrease / (Increase) in Long-term Receivables	(70 330)	-	(70 330)	-	-	(70 330)	-	70 330	70 330	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	(609 834)	(250 000)	(859 834)	-	-	(859 834)	(1 833 590)	-	(973 756)	0.00	0.00
Cash and Cash Equivalents at End of the Year	(35 812 518)	(3 726 278)	(39 538 796)	-	-	(39 538 796)	(2 228 416)	112 733 310	37 310 380	0.00	0.00

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2013/14		2012/13
	R		R
Net surplus/(deficit) per the statement of financial performance	(22 266 458)		(19 648 186)
Revenue from Non-exchange Transactions			
Property Rates	(7 637 441)		(6 292 100)
Property Rates - Penalties imposed and collection charges	7 918 547		-
Fines	4 186		(22 218)
Licences and Permits	-		-
Revenue for Agency Services	1 303 490		(1 069 619)
Government Grants and Subsidies Received	7 469 224		(45 985 193)
Public Contributions and Donations	-		(1 754)
Revenue from Exchange Transactions			
Service Charges	4 733 718		(20 506 124)
Rental of Facilities and Equipment	224 279		(131 398)
Interest Earned - External Investments	911 561		(106 388)
Interest Earned - Outstanding Debtors	2 834 385		(6 045 543)
Other Revenue	103 065		(717 814)
Expenditure			
Employee Related Costs	(2 483 143)		28 357 300
Remuneration of Councillors	(54 279)		2 905 958
Collection Costs	-		-
Depreciation and Amortisation	12 546 090		20 572 382
Impairment Losses	1 311 595		4 063 232
Repairs and Maintenance	(1 724 106)		1 599 994
Finance Costs	2 192 470		2 408 884
Bulk Purchases	(20 417 079)		19 070 499
Contracted Services	(985 483)		9 355 347
Grants and Subsidies Paid	(27 642 334)		827 950
General Expenses	(2 478 708)		11 364 793
Net surplus/deficit per approved budget	(48 265 397)		(0)

GARIEP MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 *Changes in Accounting Policy and Comparability*

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 *Critical Judgements, Estimations and Assumptions*

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 *Revenue Recognition*

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 *Financial Assets and Liabilities*

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

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1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- **Impairment of Trade Receivables:**

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions, Receivables from Non-exchange Transactions and that of Long-term Receivables are disclosed in Notes 2, 3 and N/A to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 8 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 10. on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 1, 6, 7, 8 and 9 to the Annual Financial Statements, if applicable.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

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1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

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Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Community	
Improvements	5 - 50	Community Facilities	5 - 50
		Recreational Facilities	10 - 40
Infrastructure		Other	
Electricity	10 - 50	Computer Equipment	5 - 10
Railways	30	Emergency Equipment	5 - 10
Roads and Paving	5 - 80	Furniture and Fittings	5 - 15
Sanitation	10 - 55	Motor Vehicles	7 - 10
Sewerage / Solid Waste	5 - 80	Office Equipment	5 - 15
Water	5 - 80	Plant and Equipment	2 - 15
		Specialist Vehicles	10 - 15
		Other Assets	5 - 15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

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Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

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In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 8 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

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6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

7. BIOLOGICAL ASSETS

The municipality changed its Accounting Policy from GRAP 101 to GRAP 27 with no effect on the financial information previously disclosed.

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

8. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

8.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

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Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

9.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

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- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial

9.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

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Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

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10. INVENTORIES

10.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

10.2 Subsequent Measurement

10.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the *FIFO* cost of commodities.

10.2.2 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

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Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made seven days before year-end are recognised as an unutilised portion based on an estimate of the prepaid electricity consumed as at the reporting date.

11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

11.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

11.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not made at the time of initial recognition.

11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

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12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

15. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

18. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

19. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

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20. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

21. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

22. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

23. COMPARATIVE INFORMATION

23.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

23.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

23.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2013 to 30 June 2014.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
1. INVENTORIES		
Consumable Stores	70 543	125 263
Maintenance Materials	67 142	20 475
Spare Parts	15 559	70 387
Less: Provision for Obsolete Stock	(50 521)	
Total Inventories	102 722	216 125

Inventories are held for own use and measured at the lower of Cost or Net Realisable Value.

The cost of Inventories recognised as an expense during the period was R 534,662 (2013: R 558,986).

No Inventories have been pledged as collateral for Liabilities of the municipality.

2. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Service Debtors:	20 856 013	14 819 550	6 036 464
Electricity	5 706 402	2 942 808	2 763 594
Refuse	15 149 612	11 876 741	3 272 870
Other Receivables	12 401 328	10 773 407	1 627 921
Total Receivables from Exchange Transactions	33 257 342	25 592 957	7 664 385
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	19 212 379	14 296 756	4 915 623
Electricity	6 057 303	2 047 643	4 009 660
Refuse	13 155 076	12 249 113	905 963
Other Receivables	17 110 858	14 603 596	2 507 261
Total Receivables from Exchange Transactions	36 323 237	28 900 352	7 422 885

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

2.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	797 632	578 989	350 962	3 978 819	5 706 402
Less: Provision for Impairment	882	679	1 310	2 939 937	2 942 808
Net Balances	796 750	578 310	349 652	1 038 882	2 763 594
Refuse:					
Gross Balances	676 655	685 422	676 024	13 111 511	15 149 612
Less: Provision for Impairment	170	154	172	11 876 245	11 876 741
Net Balances	676 485	685 268	675 852	1 235 265	3 272 870
Other Receivables:					
Gross Balances	-	91 856	99 780	12 209 692	12 401 328
Less: Provision for Impairment	-	-	-	10 773 407	10 773 407
Net Balances	-	91 856	99 780	1 436 285	1 627 921

As at 30 June 2014 Receivables of R6 191 150 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	1 356 267	1 126 766	29 300 021	31 783 055
Less: Provision for Impairment	833	1 482	25 589 590	25 591 905
Net Balances	1 355 434	1 125 284	3 710 432	6 191 150

As at 30 June 2013

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Net Balances	404 233	399 893	360 411	2 845 123	4 009 660
Refuse:					
Net Balances	282 985	268 899	261 374	92 705	905 963
Other Receivables:					
Net Balances	801 186	100 895	100 258	1 504 922	2 507 261

As at 30 June 2013 Receivables of R5 934 480 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Net Balances	769 687	722 043	4 442 750	5 934 480

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014		2013	
	R		R	
2.2 Summary of Receivables from Exchange Transactions by Customer Classification				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	1 293 806	180 481	-	-
<u>Past Due:</u>				
31 - 60 Days	1 038 477	177 916	139 874	-
61 - 90 Days	969 641	111 455	45 671	-
+ 90 Days	26 988 748	1 380 660	930 614	-
Sub-total	30 290 672	1 850 511	1 116 159	-
Less: Provision for Impairment	23 507 442	1 245 810	839 705	-
Total Trade Receivables by Customer Classification	6 783 230	604 701	276 454	-
			2014	2013
			R	R

2.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	28 900 352	33 404 007
Impairment Losses recognised	597 777	4 762 370
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(3 905 173)	(9 266 025)
Amounts recovered	-	-
Balance at end of year	25 592 957	28 900 352

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

3. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Assessment Rates Debtors	9 550 892	8 633 766	917 126
Sundry Debtors	11 754 101	-	11 754 101
JGDM Services	4 351 139	-	4 351 139
Total Receivables from Non-exchange Transactions	25 656 133	8 633 766	17 022 367
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Assessment Rates Debtors	8 416 778	4 822 871	3 593 908
Sundry Debtors	14 584 938	-	14 584 938
JGDM Services	463 340	-	463 340
Total Receivables from Non-exchange Transactions	23 465 055	4 822 871	18 642 185

None of the Receivables have been pledged as security for the municipality's financial liabilities.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

3.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	105 037	318 501	300 530	9 166 550	9 890 618
Less: Provision for Impairment	312	251	246	8 632 957	8 633 766
Net Balances	104 725	318 250	300 284	533 593	1 256 852

As at 30 June 2013

Assessment Rates:

Net Balances	265 023	242 074	217 489	2 869 321	3 593 907
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3.2 Summary of Assessment Rates Debtors by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	20 983	14 202	69 851	-
<u>Past Due:</u>				
31 - 60 Days	200 598	30 747	87 155	-
61 - 90 Days	187 595	25 595	87 339	-
+ 90 Days	6 346 766	889 017	1 930 766	-
Sub-total	6 755 944	959 562	2 175 112	-
Less: Provision for Impairment	6 026 544	853 743	1 753 479	-
Total Rates Debtors by Customer Classification	729 400	105 819	421 633	-

2014
R

2013
R

3.3 Reconciliation of Provision for Impairment

Balance at beginning of year	4 822 869	11 207 856
Impairment Losses recognised	4 727 989	(578 345)
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(917 092)	(5 806 641)
Amounts recovered	-	-
Balance at end of year	8 633 766	4 822 871

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Furthermore, no Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
4. VAT RECEIVABLE		
Vat Receivable	<u>2 879 986</u>	<u>1 163 085</u>

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

5. CASH AND CASH EQUIVALENTS

Current Investments	900 864	566 575
Bank Accounts	440 465	308 529
Cash and Cash Equivalents	8 400	8 400
Total Bank, Cash and Cash Equivalents	<u>1 349 729</u>	<u>883 504</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

5.1 Current Investment Deposits

Call Deposits	900 864	566 575
Total Current Investment Deposits	<u>900 864</u>	<u>566 575</u>

5.2 Bank Accounts

Cash in Bank	440 465	308 529
Total Bank Accounts	<u>440 465</u>	<u>308 529</u>

The Municipality has the following bank accounts:

Primary Bank Account

ABSA bank account 180000220161

Cash book balance at beginning of year	308 529	588 713
Cash book balance at end of year	<u>440 465</u>	<u>308 529</u>
Bank statement balance at beginning of year	321 595	603 576
Bank statement balance at end of year	<u>440 465</u>	<u>321 595</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	8 400	8 400
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>8 400</u>	<u>8 400</u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2013	105 814 559	205 204 574	17 320 546	1 934 000	2 940 149	333 213 829
Cost	115 060 608	239 384 388	19 200 465	10 173 621	11 006 768	394 825 851
- Completed Assets	115 060 608	208 881 142	17 665 444	10 173 621	11 006 768	362 787 583
- Under Construction	-	30 503 246	1 535 021	-	-	32 038 267
Accumulated Depreciation:	(9 246 049)	(34 179 815)	(1 879 918)	(8 239 621)	(8 066 619)	(61 612 022)
- Cost	(9 246 049)	(34 179 815)	(1 879 918)	(8 239 621)	(8 066 619)	(61 612 022)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	6 396 099	-	85 113	-	6 481 212
Capital under Construction - Additions:	-	1 695 383	3 561 187	-	-	5 256 570
Depreciation:	(1 856 947)	(14 774 288)	(632 575)	(693 982)	(2 358 581)	(20 316 373)
Impairment Losses	(5 916)	-	-	-	-	(5 916)
Transferred Out of WIP	-	(17 042 381)	-	-	-	(17 042 381)
Capitalised To Completed Assets	(0)	17 042 381	-	-	-	17 042 381
Carrying values at 30 June 2014	103 951 696	198 521 767	20 249 158	1 325 132	581 568	324 629 321
Cost	115 060 608	247 475 870	22 761 652	10 258 734	11 006 768	406 563 632
- Completed Assets	115 060 608	232 319 622	17 665 444	10 258 734	11 006 768	386 311 176
- Under Construction	-	15 156 248	5 096 208	-	-	20 252 456
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	(5 916)	-	-	-	-	(5 916)
Accumulated Depreciation:	(11 102 996)	(48 954 103)	(2 512 494)	(8 933 602)	(10 425 200)	(81 928 395)
- Cost	(11 102 996)	(48 954 103)	(2 512 494)	(8 933 602)	(10 425 200)	(81 928 395)
- Revaluation	-	-	-	-	-	-

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2013

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2012	107 671 507	213 426 773	16 680 416	2 365 580	5 302 311	345 446 587
Cost	115 060 608	233 270 261	17 927 759	9 545 038	11 006 768	386 810 435
- Completed Assets	115 060 608	208 781 244	17 665 444	9 545 038	11 006 768	362 059 102
- Under Construction	-	24 489 017	262 315	-	-	24 751 333
Correction of error (Note 40)	-	-	-	-	-	-
Accumulated Depreciation:	(7 389 101)	(19 843 488)	(1 247 343)	(7 179 458)	(5 704 457)	(41 363 848)
- Cost	(7 389 101)	(19 843 488)	(1 247 343)	(7 179 458)	(5 704 457)	(41 363 848)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	99 898	-	628 583	-	728 481
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	6 014 229	1 272 706	-	-	7 286 935
Depreciation:	(1 856 947)	(14 336 327)	(632 575)	(1 060 163)	(2 362 162)	(20 248 174)
Carrying values at 30 June 2013	105 814 559	205 204 574	17 320 546	1 934 000	2 940 149	333 213 829
Cost	115 060 608	239 384 388	19 200 465	10 173 621	11 006 768	394 825 851
- Completed Assets	115 060 608	208 881 142	17 665 444	10 173 621	11 006 768	362 787 583
- Under Construction	-	30 503 246	1 535 021	-	-	32 038 267
Accumulated Depreciation:	(9 246 049)	(34 179 815)	(1 879 918)	(8 239 621)	(8 066 619)	(61 612 022)
- Cost	(9 246 049)	(34 179 815)	(1 879 918)	(8 239 621)	(8 066 619)	(61 612 022)
- Revaluation	-	-	-	-	-	-

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
6 PROPERTY, PLANT AND EQUIPMENT (Continued)		
6.1 Land and Buildings carried at Fair Value		
The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.		
7 INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>517 546</u>	<u>775 965</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2013	775 965	775 965
Cost	1 034 384	1 034 384
Accumulated Amortisation	(258 419)	(258 419)
Amortisation:	(258 419)	(258 419)
Purchased	(258 419)	(258 419)
Carrying values at 30 June 2014	517 546	517 546
Cost	1 034 384	1 034 384
Accumulated Amortisation	(516 838)	(516 838)
	Computer Software	Total
Carrying values at 01 July 2012	1 034 384	1 034 384
Cost	1 034 384	1 034 384
Accumulated Amortisation	-	-
Acquisitions:	-	-
Purchased	-	-
Work-in-Progress	-	-
Amortisation:	(258 419)	(258 419)
Purchased	(258 419)	(258 419)
Internally Developed	-	-
Carrying values at 30 June 2013	775 965	775 965
Cost	1 034 384	1 034 384
Work-in-Progress	-	-
Accumulated Amortisation	(258 419)	(258 419)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
8 INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	<u>28 736 907</u>	<u>24 715 795</u>
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	24 715 795	24 781 583
Cost	25 044 917	25 044 917
Fair Value	-	-
Accumulated Depreciation	(329 122)	(263 333)
Acquisitions during the Year	-	-
Net Gains / (Losses) from Fair Value Adjustments	4 086 900	-
Depreciation during the Year	(65 788)	(65 788)
Carrying values at 30 June	28 736 907	24 715 795
Cost	25 044 917	25 044 917
Accumulated Depreciation	(394 910)	(329 122)
Estimated Fair Value of Investment Property at 30 June	<u>4 605 000</u>	<u>5 189 000</u>

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

8.1 Investment Property carried at Fair Value

The municipality's Investment Property is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar properties.

8.2 Impairment of Investment Property

Impairment Losses on Investment Property to the amount of R4 128 975 (2013: R0) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 31.

9 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	213 000	213 000
Total	<u>213 000</u>	<u>213 000</u>

The municipality has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and have it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements. It is possible that certain Heritage Assets are currently being recognised as Property, Plant and Equipment.

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
10 BIOLOGICAL ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	244 775	164 875
Total	<u>244 775</u>	<u>164 875</u>

Biological Assets consists of Game Animals.
Refer to Appendix "B" for more detail on Biological Assets.

11 CONSUMER DEPOSITS

Electricity Deposits	60 241	128 381
Total Consumer Deposits	<u>60 241</u>	<u>128 381</u>

Consumer Deposits are paid by consumers on application for new electricity connections. The deposits are repaid when the electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

12 PROVISIONS

Performance Bonuses	186 607	-
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 17)	321 000	287 000
Current Portion of Long-term Service Liability (See Note 17)	255 000	383 000
Total Provisions	<u>762 607</u>	<u>670 000</u>

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The movement in provisions are reconciled as follows:

Current Provisions:

Performance Bonuses:

Balance at beginning of year	-	-
Contributions to provision	186 607	-
Balance at end of year	<u>186 607</u>	<u>-</u>

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2014		
Balance at beginning of year	383 000	287 000
Transfer from non-current	(128 000)	34 000
Balance at end of year	<u>255 000</u>	<u>321 000</u>
	Long-term Service R	Post-retirement R
30 June 2013		
Balance at beginning of year	-	-
Transfer from non-current	383 000	287 000
Balance at end of year	<u>383 000</u>	<u>287 000</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
13 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	52 243 639	32 067 577
Retentions	380 198	380 198
Other Creditors	182	182
Total Payables	52 624 019	32 447 957

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

14 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	421 356	2 763 400
Staff Bonuses - 13th Cheque	800 170	870 564
Staff Leave Accrued	1 899 299	2 631 459
Suspense Accounts	22 989 991	16 412 443
Unallocated Receipts	5 007 556	4 267 182
Sundry Deposits	129 803	118 833
Other Payables	217 460	217 460
Total Payables	31 465 635	27 281 342

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The management of the municipality is of the opinion that the carrying value of Creditors approximates their fair values.

15 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

15.1 Conditional Grants from Government

	3 630 574	6 756 658
National Government Grants	2 531 513	6 495 504
Provincial Government Grants	1 099 061	261 153
Total Conditional Grants and Receipts	3 630 574	6 756 658

See Note 22 for the reconciliation of Grants from Government and Note 23 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

16 LONG-TERM LIABILITIES

Annuity Loans	1 552 974	2 057 463
Finance Lease Liabilities	3 581 209	5 788 267
Sub-total	5 134 183	7 845 730
Less: Current Portion transferred to Current Liabilities:-	1 834 072	2 841 070
Annuity Loans	331 212	588 676
Finance Lease Liabilities	1 502 860	2 252 395
Total Long-term Liabilities (Neither past due, nor impaired)	3 300 112	5 004 660

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

16.1 Summary of Arrangements

The DBSA Annuity Loan is repaid over a period of 10 years and at an interest rate of 5,00% (7,00% on Arrears) per annum. The Annuity Loan is not secured.

Finance Lease Liabilities relates to Office and IT Equipment with lease terms of 5 (2013: 5) years. The effective interest rate on Finance Leases is between 9% and 15,5%. Capitalised Lease Liabilities are secured over the equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

16.2 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2013: 5 years). The effective interest rate on Finance Leases is between 9% and 15,5% (2013: 9% and 15,5%).

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014	2013	2014	2013
	R	R	R	R
Amounts payable under finance leases:				
Within one year	1 764 179	2 708 193	1 764 179	2 708 193
In the second to fifth years, inclusive	2 205 224	3 996 482	2 205 224	3 996 482
Over five years	-	-	-	-
	<u>3 969 403</u>	<u>6 704 675</u>	<u>3 969 403</u>	<u>6 704 675</u>
Less: Future Finance Obligations	388 194	916 408	388 194	916 408
Present Value of Minimum Lease Obligations	<u>3 581 209</u>	<u>5 788 267</u>	<u>3 581 209</u>	<u>5 788 267</u>
Less: Amounts due for settlement within 12 months (Current Portion)			1 502 860	2 252 395
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>2 078 349</u>	<u>3 535 872</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

17 EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	12 369 000	11 917 000
Long Service Awards Liability	1 978 999	2 767 000
Total Employee Benefit Liabilities	<u>14 348 000</u>	<u>14 684 000</u>

17.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	12 204 000	12 191 000
Contributions to Provision	1 510 000	544 000
Increase/Decrease due to Discounting	(737 000)	897 066
Expenditure incurred	(287 000)	(1 428 066)
Total Post-retirement Health Care Benefits Liability	<u>12 690 000</u>	<u>12 204 000</u>
Less Current Portion	(321 000)	(287 000)
Non-Current Post-retirement Health Care Benefits Liability	<u>12 369 000</u>	<u>11 917 000</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<p>The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.</p> <p>The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C J Maroba, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.</p> <p>The members of the Post-employment Health Care Benefit Plan are made up as follows:</p>		
In-service Members (Employees)	67	70
In-service Non-members (Employees)	126	177
Continuation Members (Retirees, widowers and orphans)	8	8
Total Members	201	255
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service Members	7 997 000	7 425 000
In-service Non-members	4 693 000	4 779 000
Total Liability	12 690 000	12 204 000
<p>The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:</p> <ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed <p>The Current-service Cost for the year ending 30 June 2014 is estimated to be R 636,000, whereas the cost for the ensuing year is estimated to be R 594,000 (30 June 2013: R 531,000 and R 636,000 respectively).</p> <p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>		
Discount Rate	9.53%	7.25%
Consumer Price Inflation	7.06%	6.25%
Health Care Cost Inflation Rate	8.56%	6.75%
Net Effective Discount Rate	0.89%	0.47%
Expected Retirement Age - Normal Retirement age	63	63
Expected Retirement Age - Fully accrued age	63	63
<p><i>Mortality rates:</i></p> <p>Pre-Retirement (Active members) SA 85 - 90 mortality table</p> <p>Post-Retirement (Continuation members) PA(90) ultimate mortality table</p> <p>Movements in the present value of the Defined Benefit Obligation were as follows:</p>		
Balance at the beginning of the year	12 204 000	12 191 000
Current service costs	636 000	531 000
Interest cost	874 000	990 000
Benefits paid	(287 000)	(375 000)
Actuarial losses / (gains)	(737 000)	(1 133 000)
Present Value of Fund Obligation at the end of the Year	12 690 000	12 204 000
<p>The amounts recognised in the Statement of Financial Position are as follows:</p>		
Present value of fund obligations	12 690 000	12 204 000
Fair value of plan assets	-	-
Total Benefit Liability	12 690 000	12 204 000
<p>According to the actuaries, no plan assets is set aside for the funding of the liability.</p>		

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	636 000	531 000
Interest cost	874 000	990 000
Actuarial losses / (gains)	(737 000)	(1 133 000)

The amounts recognised in the Statement of Financial Performance are as follows:	773 000	388 000
Total Post-retirement Benefit included in Employee Related Costs	1 510 000	1 521 000
Total Post-retirement Benefit included in Other income	(737 000)	(1 133 000)

The amounts recognised in the Statement of Financial Performance are as follows:	773 000	388 000
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The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	12 690 000	12 204 000	12 191 000	11 955 000
Fair Value of Plan Assets	-	-	-	-
Deficit	12 690 000	12 204 000	12 191 000	11 955 000

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	2 136 000	1 831 000
Effect on the defined benefit obligation	14 881 000	14 474 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	1 512 000	1 259 000
Effect on the defined benefit obligation	10 931 000	10 404 000

Refer to Note 46, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

17.2 Long Service Awards Liability

Balance at beginning of year	3 150 000	2 460 000
Contributions to provision	(916 000)	690 000
Total Long Service Awards Liability	2 234 000	3 150 000
Less Current Portion	(255 000)	(383 000)
Non-Current Long Service Awards Liability	1 978 999	2 767 000

Long Service Bonuses

The most recent actuarial valuations of the present value of the defined benefit obligation was carried out as at 30 June 2014 by CJ Maroba, a fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 191 (2013: 248) employees were eligible for Long-service bonuses.

The Current-service cost for the year ending 30 June 2014 is estimated to be R 944,000, whereas the cost for the ensuing year is estimated to be R 638,000 (2013: R 742,000 and R 944,000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.37%	7.25%
CPI	6.21%	6.25%
General Salary Inflation Rate	7.21%	7.15%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.08%	0.09%
Expected Retirement Age	63	63
Mortality	SA 85 - 90 mortality table	

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Balance at the beginning of the year	3 150 000	2 460 000
Current service costs	944 000	742 000
Interest cost	214 000	193 000
Benefits paid	(383 000)	(240 000)
Actuarial losses / (gains)	(1 691 000)	(5 000)

Present Value of Fund Obligation at the end of the Year	<u>2 234 000</u>	<u>3 150 000</u>
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2 234 000	3 150 000
Fair value of plan assets	-	-

Total Benefit Liability	<u>2 234 000</u>	<u>3 150 000</u>
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The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	944 000	742 000
Interest cost	214 000	193 000
Actuarial losses / (gains)	(1 691 000)	(5 000)

Total Post-retirement Benefit included in Employee Related Costs (Note XX)	<u>(533 000)</u>	<u>930 000</u>
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The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	2 234 000	3 150 000	2 460 000	1 831 000
Fair Value of Plan Assets	-	-	-	-
Deficit	<u>2 234 000</u>	<u>3 150 000</u>	<u>2 460 000</u>	<u>1 831 000</u>

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	910 000	1 296 000
Effect on the defined benefit obligation	2 416 000	3 407 000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	733 000	2 922 000
Effect on the defined benefit obligation	2 072 000	1 041 000

18 NON-CURRENT PROVISIONS

Provision for Rehabilitation of Land-fill Sites	1 177 220	1 172 463
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Total Non-current Provisions	<u>1 177 220</u>	<u>1 172 463</u>
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The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:

Balance at beginning of year	1 172 463	1 167 730
Contributions to provision	-	-
Increase due to discounting	4 757	4 733

Balance at end of year	<u>1 177 220</u>	<u>1 172 463</u>
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18.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R1 734 657 to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2016/17 and 2024/25. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation	
Steynsburg	2083	139 325
Venterstad	2178	345 549
Burgersdorp	2101	<u>1 249 783</u>
		<u>1 734 657</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
19 PROPERTY RATES				
	Property Valuations		Actual Levies	
	July 2014 R000's	July 2013 R000's		
Agricultural	1 746 422 700	1 746 422 700	3 973 798	3 820 260
Commercial	83 627 000	83 627 000	1 478 674	1 365 523
Municipal	26 386 100	26 386 100	435 080	543 348
Residential	440 365 460	440 365 460	3 921 629	3 704 333
State	63 969 500	63 969 500	1 624 818	1 439 029
Less: Revenue Foregone			(3 796 558)	(4 580 393)
Total Property Rates	2 360 770 760	2 360 770 760	7 637 441	6 292 100
Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.				
Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.				
Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.				
20 FINES				
Court Fines			12 053	20 400
Other Fines			2 390	1 818
Total Fines			14 443	22 218
21 INCOME FROM AGENCY SERVICES				
Traffic Services			1 226 344	1 069 619
Other Agency Income – Water and Sewerage			2 214 193	-
Total Income from Agency Services			3 440 537	1 069 619
Other Agency Services relates to services performed on behalf of Joe Gqabi District municipality.				
22 GOVERNMENT GRANTS AND SUBSIDIES				
National Equitable Share			25 608 000	25 503 079
Other Subsidies			167 938	-
Operational Grants			25 775 938	25 503 079
Conditional Grants			17 844 084	20 482 115
National: EPWP			987 968	1 000 000
National: FMG			1 650 000	1 994 192
National: MIG			11 906 591	9 827 335
National: MSIG			890 535	1 102 353
National: DWA - Regional Bulk Infrastructure			-	2 204 990
National: Energy			99 898	2 935 365
National: Sport and Development			-	1 145 689
Provincial: Local Government Capacity Building - LGSETA			-	272 191
Provincial: Department of Economic Development			662 465	-
Provincial: Department of Local Government			499 628	-
Provincial: Department Sport and Agriculture			1 147 000	-
Total Government Grants and Subsidies			43 620 022	45 985 193
Operational Grants:				
22.1 National: Equitable Share			25 608 000	25 503 079

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Conditional Grants:		
22.2 National: EPWP Grant		
Balance unspent at beginning of year	-	(0)
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(987 968)	(1 000 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>12 032</u>	<u>-</u>
The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects.		
22.3 National: FMG Grant		
Balance unspent at beginning of year	-	1 994 192
Current year receipts	1 650 000	-
Conditions met - transferred to Revenue: Operating Expenses	(1 650 000)	(1 994 192)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
22.4 National: MIG Funds		
Balance unspent at beginning of year	5 885 797	8 290 131
Current year receipts	11 434 000	12 044 000
Conditions met - transferred to Revenue: Capital Expenses	(11 906 591)	(9 827 335)
Other Adjustments/Refunds	(3 403 000)	(4 621 000)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>2 010 206</u>	<u>5 885 797</u>
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. The allocation has been reduced by R3 403 000 (2013: R0) due to non-spending of funds by the municipality.		
22.5 National: MSIG Funds		
Balance unspent at beginning of year	7 668	1 110 020
Current year receipts	890 000	-
Conditions met - transferred to Revenue: Operating Expenses	(890 535)	(1 102 353)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>7 132</u>	<u>7 668</u>
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.		
22.6 National: Cooperative Government & Traditional Affairs (COGTA)		
Balance unspent at beginning of year	0	0
Current year receipts	-	2 204 990
Conditions met - transferred to Revenue: Operating Expenses	-	(2 204 990)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>0</u>	<u>0</u>
No funds have been withheld.		
22.7 National: Department Energy		
Balance unspent at beginning of year	602 040	3 537 405
Conditions met - transferred to Revenue: Capital Expenses	(99 898)	(2 935 365)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>502 142</u>	<u>602 040</u>
Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.		
22.8 National: Department Sport and Development		
Balance unspent at beginning of year	-	-
Current year receipts	-	1 145 689
Conditions met - transferred to Revenue: Operating Expenses	-	(1 145 689)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>
This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.		

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
22.9 Provincial: Local Government Capacity Building - LGSETA		
Balance unspent at beginning of year	-	-
Current year receipts	-	272 191
Conditions met - transferred to Revenue: Operating Expenses	-	(272 191)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

No funds have been withheld.

22.10 Provincial: Department Economic Development (DEDEA)

Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	-
Conditions met - transferred to Revenue: Operating Expenses	(662 465)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>837 535</u>	<u>-</u>

This Economic Development grant was received during the last quarter of the 2014 Financial Period. The expenditure and grant conditions are expected to only be realised during the 2015 Financial Period, as agreed upon with the grant provider. No funds have been withheld.

22.11 Provincial: Department of Local Government

Balance unspent at beginning of year	-	67 180
Current year receipts	500 000	-
Conditions met - transferred to Revenue: Operating Expenses	(499 628)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>372</u>	<u>67 180</u>

No funds have been withheld.

22.12 Provincial: Department Sport and Culture

Balance unspent at beginning of year	-	-
Current year receipts	1 147 000	-
Conditions met - transferred to Revenue: Operating Expenses	(1 147 000)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

22.13 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

23 PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	-	1 754
Total Public Contributions and Donations	<u>-</u>	<u>1 754</u>

24 SERVICE CHARGES

Sale of Electricity	11 278 215	10 105 272
Refuse Removal	11 510 750	10 398 619
Other Service Charges	88	2 233
Total Service Charges	<u>22 789 054</u>	<u>20 506 124</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Buildings	61 698	12 098
Rental Revenue from Halls	54 987	52 107
Rental Revenue from Other Facilities	68 178	67 193
Total Rental of Facilities and Equipment	<u>184 862</u>	<u>131 398</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
26 INTEREST EARNED		
Property Rates:		
Interest / Penalties Raised	34 986	-
	<u>34 986</u>	<u>-</u>
External Investments:		
Bank Account	15 902	19 035
Investments	163 254	87 353
	<u>179 156</u>	<u>106 388</u>
Outstanding Debtors:		
Outstanding Billing Debtors	2 619 579	6 045 543
	<u>2 619 579</u>	<u>6 045 543</u>
27 OTHER REVENUE		
Admin Fees	15 281	1 549
Building Plan Fees	4 959	3 511
Cemetery Fees	33 773	56 614
Certificates	26 923	21 737
Photocopies	7 288	2 385
Sales: Stands	-	55 526
Stationary	71 621	84 959
Sundries	263 203	491 449
Sundry Rentals	1 649	84
Total Other Revenue	<u>424 696</u>	<u>717 814</u>
28 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	22 264 337	21 769 770
Basic Salaries and Wages	21 144 208	19 010 728
Long Service Bonuses	156 350	776 194
Leave Encashed	963 780	1 982 848
Contribution to Leave Fund	-	-
Service Bonuses	-	-
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 555 695	3 972 589
Group Life	-	-
Medical	1 677 581	560 833
Pension	3 408 580	2 984 288
Gratuity	-	288
Industrial Council Levy	-	-
Skills Development Levy	269 389	251 054
UIF	200 145	176 126
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 275 807	2 006 190
Allowances	1 275 807	2 006 190
Pensioners Allowances	-	-
Housing Benefits and Allowances	37 505	41 159
Overtime Payments	168 361	647 527
Performance Bonuses	735 190	-
Defined Benefit Plan (Gain)/Loss:	(430 000)	(79 934)
Net Actuarial (gains)/losses recognised	(430 000)	(79 934)
Total Employee Related Costs	<u>29 606 896</u>	<u>28 357 300</u>
No advances were made to employees. Loans to employees are set out in Note N/A.		
Remuneration of Section 57 Employees:		
Remuneration of the Municipal Manager: - TA Mawonga		
Annual Remuneration	824 364	807 190
Back pay 2013	19 284	-
Car and Other Allowances	287 285	276 546
Company Contributions to UIF, Medical and Pension Funds	50 055	27 259
Total	<u>1 180 988</u>	<u>1 110 995</u>
Remuneration of the Chief Financial Officer - ML Mosala		
Annual Remuneration	636 982	469 375
Back pay 2013	17 643	-
Car and Other Allowances	18 000	171 066
Company Contributions to UIF, Medical and Pension Funds	87 334	83 543
Bonus	52 003	38 046
Total	<u>811 961</u>	<u>762 030</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Remuneration of the Corporate Services (Corporate resources) Director: MN Pietersen		
Annual Remuneration	109 200	559 006
Car and Other Allowances	25 138	-
Bonus	7 000	46 813
Company Contributions to UIF, Medical and Pension Funds	-	120 368
Total	141 338	726 187

The post was vacant from 01 December 2013. A acting manager, W Nodwele, was appointed.

Remuneration of the Acting Manager: Corporate Services (Corporate resources): W Nodwele		
Acting allowance	88 157	-
Total	88 157	-

The post was vacant 01 December 2013 and Mr. W Nodwele Loeto was paid an acting allowance for the period 1 January 2013 to 30 September 2013, as well as for the period 18 April 2014 to 31 July 2014.

Remuneration of the Director: Community Services - L Nyezi		
Annual Remuneration	385 982	455 586
Back pay 2013	20 970	
Leave Gratuity	62 143	
Car and Other Allowances	197 115	188 606
Bonus	38 060	38 060
Company Contributions to UIF, Medical and Pension Funds	65 416	71 070
Total	769 685	753 322

Remuneration of the Acting Manager: Technical Services - L Majikijela		
Acting Allowance	24 708	-
Total	24 708	-

A acting manager, L Majikijela was appointed for the period 01 March 2013 to 31 October 2013. Since 1 November 2013 the post is vacant, no other acting managers was appointed before year-end.

29 REMUNERATION OF COUNCILLORS

Councillors	2 407 779	2 205 296
Company Contributions to UIF, Medical and Pension Funds	39 668	62 987
Other Allowances (Cellular Phones, Housing, Transport, etc)	405 832	637 676
Total Councillors' Remuneration	2 853 279	2 905 958

30 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	20 316 373	20 248 174
Amortisation: Intangible Assets	258 419	258 419
Depreciation: Investment Property	65 788	65 788
Total Depreciation and Amortisation	20 640 581	20 572 382

31 IMPAIRMENT LOSSES

31.1 Impairment Losses on Financial Assets

Impairment Losses Recognised:	4 267 624	4 063 232
Receivables from Exchange Transactions	597 777	4 762 370
Receivables from Non-exchange Transactions	3 669 846	(699 138)
	4 267 624	4 063 232

32 REPAIRS AND MAINTENANCE

Land and Buildings	162 976	202 945
Infrastructure - Road Transport	378	411 212
Community Assets	3 280	193
Other Assets	937 938	985 644
Total Repairs and Maintenance	1 104 571	1 599 994

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
33 FINANCE COSTS		
Bank Overdraft	-	767
Creditors Overdue	4 111 992	1 277 388
Landfill Provision	4 757	4 733
Loans and Payables at amortised cost	475 721	135 997
Other Finance Costs	-	990 000
Total Interest Paid on External Borrowings	4 592 470	2 408 884
34 BULK PURCHASES		
Electricity	18 389 777	19 070 499
Total Bulk Purchases	18 389 777	19 070 499
Bulk Purchase are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.		
35 CONTRACTED SERVICES		
Internal Audit	-	404
Professional Fees	59 971	-
Other Contracted Services	11 749 358	9 354 943
Total Contracted Services	11 809 329	9 355 347
36 GRANTS AND SUBSIDIES PAID		
Free Basic Services	6 695	1 296
Other Grants and Subsidies Paid	1 094 683	826 654
Total Grants and Subsidies	1 101 377	827 950
Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.		
37 GENERAL EXPENSES		
Included in General Expenses are the following:		
ABSA Fleet Chargers	20 797	24 827
Accommodation	746 750	499 160
Advertising	204 590	188 188
Audit Committee Sittings	240 261	-
Audit Fees	3 456 248	2 321 561
Bank Charges	204 495	168 104
Cleaning Material	278 578	157 911
Fuel & Oil	1 035 174	1 277 365
Inventory Losses	165 468	296 655
Legal Charges	701 437	582 252
Mayoral Cup Tournament	77 567	190 637
Personel Training	171 903	36 256
Postage	5 673	33 113
Pre - Paid Commission	80 281	85 202
Printing	196 035	777 912
Refreshments	52 873	95 494
SARS Levy	500 000	-
Security Services	383 147	-
Stationary	223 563	275 060
Street Names & Signage	49 800	-
Subscription Fees	27 017	14 202
Subsistence & Travelling	1 311 600	1 252 973
Sundry Expenses	589 068	19 555
Transfer of Plots	27 732	6 678
Transport & Flights	339 339	134 292
Venterstad Houses 360	77 612	267 324
Ward Committees	31 648	2 440
Inter-Departmental Transfers	1 775 652	2 657 631
Total General Expenses	12 974 305	11 364 793

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
38 OTHER GAINS AND LOSSES		
Change in Fair Value of Investment Property	4 128 975	-
Net Other Gains and Losses	4 128 975	-

39 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2013/14 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 25 Employee Benefits

39.1 GRAP 25 - Employee Benefits

The Accounting Standard for *Employee Benefits* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2014 in terms of GRAP 25.

The municipality has developed Accounting Policies to fully comply with GRAP 25 (*Employee Benefits*). Previously the municipality used the principles set out in IAS 19 to account for employee benefits. GRAP 25 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 25 and IAS 19 are similar.

40 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

44.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure

The effect of the changes are as follows:

	Accumulated Surplus
Balances published as at 30 June 2012	109 842 757
Correction of Error:-	
Capitalisation of Accurate PPE Values and Capital Additions (As per 2012/13 AFS)	142 170 699
Reversal of Water and Sewerage Debtors Opening Balances (Discontinued Operation)	(5 423 379)
Write-Off of Old Unidentified Deposits	19 444 024
Clearing of Old Creditors Previously Paid	35 914 160
Bank Suspense Account Write-Offs	(3 604 500)
Correction of Opening Balance of Landfill Site Liability	21 611 904
Other Adjustments	(3 882 764)
	<u>-</u>
	206 230 146
Restated Balances as at 30 June 2012	316 072 903

40.1 Reclassification of Revenue and Expenditure

The prior year figures of Revenue and Expenditure have been restated to correctly classify the nature of the transactions.

The effect of the Correction of Error is as follows:

	Prior Year 2012/2013	2012/13 Restated	Variance	Due to Reclassification	Due to Correction of Errors
REVENUE					
Property Rates	6 292 100	6 292 100	-	-	-
Fines	22 218	22 218	-	-	-
Licences and Permits	1 156 336	-	1 156 336	1 156 336	-
Income for Agency Services	8 420 928	1 069 619	7 351 309	(1 068 510)	8 419 818
Government Grants & Subsidies Received	45 997 253	45 985 193	12 060	-	12 060
Public Contributions and Donations	1 754	1 754	-	-	-
Service Charges	20 859 133	20 506 124	353 009	356 951	(3 942)
Rental of Facilities and Equipment	131 843	131 398	445	-	445
Interest Earned - External Investments	87 353	106 388	(19 035)	(19 035)	-
Interest Earned - Outstanding Debtors	6 064 619	6 045 543	19 076	19 075	-
Rendering of services	81 136	-	81 136	81 136	-
Other Income	98 088	717 814	(619 726)	(581 439)	(38 287)
Sale of goods	55 526	-	55 526	55 526	-
	89 268 287	80 878 153	8 390 135	40	8 390 094
EXPENDITURE					
Employee Related Costs	28 419 930	28 357 300	62 630	62 630	-
Remuneration of Councillors	2 843 328	2 905 958	(62 630)	(62 630)	-
Depreciation and Amortisation	12 193 081	20 572 382	(8 379 301)	-	(8 379 301)
Impairment Losses	8 375 921	4 063 232	4 312 689	-	4 312 689
Repairs and Maintenance	1 344 086	1 599 994	(255 908)	-	(255 908)
Finance Costs	2 408 678	2 408 884	(206)	40	(246)
Bulk Purchases	19 070 499	19 070 499	-	-	-
Contracted Services	-	9 355 347	(9 355 347)	(11 377 583)	2 022 236
Grants and Subsidies Paid	-	827 950	(827 950)	(827 950)	-
Free basic services	216 221	-	216 221	-	216 221
General Expenses	23 621 089	11 364 793	12 256 296	12 205 532	50 763
Discontinued service	8 719 152	-	8 719 152	-	8 719 152
	107 211 985	100 526 339	6 685 646	40	6 685 606
TOTAL RESTATEMENT			1 704 488		1 704 488

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

40.2 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2012/13 Balance	Current Year 2012/13 Balance	Restated Amount
Current Assets			
Inventories	420 695	216 125	204 570
Non-current Assets Held-for-Sale	-	-	-
Receivables from Exchange Transactions	783 635	7 422 885	(6 639 250)
Receivables from Non-exchange Transactions	6 755 250	18 642 185	(11 886 935)
VAT Receivable	1 163 378	1 163 085	293
Cash and Cash Equivalents	883 504	883 504	0
Consumer Debtors	12 268 011	-	12 268 011
Non-Current Assets			
Property, Plant and Equipment	348 837 450	333 213 829	-
Intangible Assets	689 589	689 589	-
Investment Property	1 472 000	24 715 795	(23 243 795)
Heritage Assets	-	213 000	(213 000)
Long-term Receivables	-	-	-
Current Liabilities			
Consumer Deposits	-	(128 381)	128 381
Provisions	(870 564)	(670 000)	(200 564)
Payables from Exchange Transactions	(107 374 401)	(32 447 957)	(74 926 444)
Payables from Non-exchange Transactions	-	(27 281 342)	27 281 342
Unspent Conditional Grants and Receipts	(6 677 418)	(6 756 658)	79 240
Non-Current Liabilities			
Retirement Benefit Liabilities	(12 204 000)	(14 684 000)	2 480 000
Non-current Provisions	(1 122 280)	(1 172 463)	50 183
Finance Lease Obligations	(279 069)	-	(279 069)
Other long - term employee benefits	(3 150 000)	-	(3 150 000)
Net Assets			
Accumulated Surplus / (Deficit)	(239 141 772)	(296 424 717)	57 282 945
Statutory Funds	-	-	-
	<u>-</u>	<u>-</u>	<u>(15 537 246)</u>

41 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(22 266 458)	(19 648 186)
Accumulated Surplus Difference	-	-
Adjustment for:		
Depreciation and Amortisation	20 640 581	20 572 382
Impairment Losses on Property, Plant and Equipment	5 916	-
Contribution to Landfill sites	4 757	4 733
Contribution to Post-retirement Health Care Benefits	486 000	13 000
Movement in Long Service Awards Liability	(916 000)	690 000
Contribution to Performance Bonus Provision	186 607	-
Contribution to Impairment Provision	4 267 624	4 063 232
Fair value adjustment Investment Properties	(276 000)	-
Other Non-Cash Movements	(2 832 660)	(1 210 675)
Bad Debts Written-off	(4 822 264)	(15 072 666)
Operating surplus before working capital changes	(5 521 898)	(10 588 181)
Decrease/(Increase) in Inventories	113 403	422 031
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	-
Decrease/(Increase) in Receivables from Exchange Transactions	3 065 895	1 384 865
Decrease/(Increase) in Receivables from Non-exchange Transactions	(2 191 077)	4 487 697
Decrease/(Increase) in VAT Receivable	(1 716 901)	(1 866 822)
Increase/(Decrease) in Consumer Deposits	(68 140)	79 841
Increase/(Decrease) in Payables from Exchange Transactions	20 176 061	21 846 521
Increase/(Decrease) in Payables from Non-exchange Transactions	4 184 293	(2 049 118)
Increase/(Decrease) in Conditional Grants and Receipts	(3 126 084)	(6 096 245)
Cash generated by / (utilised in) Operations	14 915 553	7 620 590

42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

42.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	28 621 175	115 796 599
Unauthorised Expenditure current year	16 050 155	28 621 175
Approved by Council or condoned	-	(115 796 599)
Unauthorised Expenditure awaiting authorisation	<u>44 671 330</u>	<u>28 621 175</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
42.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	5 802 227	2 398 111
Fruitless and Wasteful Expenditure current year	4 111 992	3 404 116
Fruitless and Wasteful Expenditure awaiting condonement	<u>9 914 219</u>	<u>5 802 227</u>

42.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	16 395 615	8 419 504
Irregular Expenditure current year	12 137 122	7 976 111
Irregular Expenditure awaiting condonement	<u>28 532 737</u>	<u>16 395 615</u>

Incident	Disciplinary Steps / Criminal Proceedings	
Not Advertised	10 251 040.07	No steps taken
No Insurance Indemnity	797 421.74	No steps taken
Prior Year Appointment	500 000.00	No steps taken
Urgency Revenue Collection	532 700.00	No steps taken
Single Source	12 345.40	No steps taken
No 3 Quotations	41 566.00	No steps taken
Miscalculation	2 048.70	No steps taken

43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

43.1 Audit Fees

Opening Balance	3 900 469	513 268
Current year Audit Fee	3 940 123	3 883 943
Interest on current year audit fees	99 857	274 849
Amount Paid - current year	-	(258 323)
Amount Paid - previous years	(3 500 000)	(513 268)
Balance Unpaid (included in Creditors)	<u>4 440 449</u>	<u>3 900 469</u>

43.2 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	3 828 034	
Amount Paid - current year	(3 159 508)	
Balance Unpaid (included in Creditors)	<u>668 526</u>	<u>-</u>

43.3 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2014			
Councillor Kweyiya	447	(534)	981
Councillor Mnyombolo	11 304	8 038	3 266
Councillor Notyeke	1 335	241	1 094
Councillor Kula	16 404	14 898	1 506
Councillor Brien	(2 366)	(2 818)	452
Councillor Mabunu	5 265	2 985	2 280
Councillor Ngoqo	7 652	6 391	1 261
Councillor Kayster	18 129	16 555	1 574
Councillor Van Zyl	471	(31)	502
Total Councillor Arrear Consumer Accounts	<u>58 641</u>	<u>45 725</u>	<u>12 916</u>

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2013			
Councillor Ntemi	404	404	-
Councillor Kweyiya	1 607	1004	603
Councillor Mnyombolo	6 773	2812	3 961
Councillor Notyeke	1 480	388	1 092
Councillor Kula	17 687	2054	15 633
Councillor Mabunu	2 072	2072	-
Councillor Ngoqo	1 870	1870	-
Councillor Kayster	19 505	2065	17 440
Councillor Van Zyl	815	815	-
Total Councillor Arrear Consumer Accounts	<u>52 213</u>	<u>13 484</u>	<u>38 729</u>

43.4 Bulk Electricity Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2014	Unaccounted Electricity Losses	6 758 664	1.50	10 137 996
30 June 2013	Unaccounted Electricity Losses	5 178 780	0.78	4 039 448

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
44 COMMITMENTS FOR EXPENDITURE			
The municipality had no Capital Commitments as at 30 June 2014 (R0 as at 30 June 2013).			
45 FINANCIAL INSTRUMENTS			
45.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Electricity	Amortised cost	2 763 594	4 009 660
Refuse	Amortised cost	3 272 870	905 963
Sewerage	Amortised cost	-	-
Water	Amortised cost	-	-
Other Receivables	Amortised cost	1 627 921	2 507 261
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	917 126	3 593 908
Accruals	Amortised cost	-	-
Sundry Debtors	Amortised cost	9 727 775	7 513 582
Suspense Accounts	Amortised cost	2 026 326	7 071 355
Cash and Cash Equivalents			
Call Deposits	Amortised cost	900 864	566 575
Bank Balances	Amortised cost	440 465	308 529
Cash Floats and Advances	Fair value	8 400	8 400
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	2 763 594	4 009 660
Receivables from Exchange Transactions	Refuse	3 272 870	905 963
Receivables from Exchange Transactions	Sewerage	-	-
Receivables from Exchange Transactions	Water	-	-
Receivables from Exchange Transactions	Other Debtors	1 627 921	2 507 261
Receivables from Non-exchange Transactions	Assessment Rates Debtors	917 126	3 593 908
Receivables from Non-exchange Transactions	Sundry Debtors	9 727 775	7 513 582
Receivables from Non-exchange Transactions	Suspense Accounts	2 026 326	7 071 355
Cash and Cash Equivalents	Call Deposits	900 864	566 575
Cash and Cash Equivalents	Bank Balances	440 465	308 529
		<u>26 028 080</u>	<u>26 476 834</u>
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	8 400	8 400
		<u>8 400</u>	<u>8 400</u>
Total Financial Assets		<u>26 036 480</u>	<u>26 485 234</u>
FINANCIAL LIABILITIES:			
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:			
<u>Financial Liabilities</u>	<u>Classification</u>		
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	52 243 639	32 067 577
Retentions	Amortised cost	380 198	380 198
Other Creditors	Amortised cost	182	182
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	800 170	870 564
Staff Leave Accrued	Amortised cost	1 899 299	2 631 459
Sundry Deposits	Amortised cost	129 803	118 833
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Payables from Exchange Transactions	Trade Creditors	52 243 639	32 067 577
Payables from Exchange Transactions	Retentions	380 198	380 198
Payables from Exchange Transactions	Other Creditors	182	182
Payables from Non-exchange Transactions	Staff Bonuses	800 170	870 564
Payables from Non-exchange Transactions	Staff Leave Accrued	1 899 299	2 631 459
Payables from Non-exchange Transactions	Sundry Deposits	129 803	118 833
		<u>60 587 474</u>	<u>43 914 544</u>
Total Financial Liabilities		<u>60 587 474</u>	<u>43 914 544</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014 **2013**
R **R**

45.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30 June 2014

	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	8 400	-	8 400
Total Financial Assets	<u>-</u>	<u>8 400</u>	<u>-</u>	<u>8 400</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>8 400</u>	<u>-</u>	<u>8 400</u>

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
30 June 2013				
	Level 1 R	Level 2 R	Level 3 R	Total R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	8 400	-	8 400
Total Financial Assets	<u>-</u>	<u>8 400</u>	<u>-</u>	<u>8 400</u>
FINANCIAL LIABILITIES				
Financial Instruments at Fair Value:				
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financial Instruments	<u>-</u>	<u>8 400</u>	<u>-</u>	<u>8 400</u>

45.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note N/A and the Statement of Changes in Net Assets.

Gearing Ratio

	2014 R	2013 R
The gearing ratio at the year-end was as follows:		
Debt	5 134 183	7 845 730
Cash and Cash Equivalents	(909 264)	(574 975)
Net Debt	<u>4 224 920</u>	<u>7 270 756</u>
Equity	<u>274 158 259</u>	<u>296 424 717</u>
Net debt to equity ratio	<u>1.54%</u>	<u>2.45%</u>

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

45.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

45.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 49.8 and 49.9 to the Annual Financial Statements.

45.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

45.6.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 49.9 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2014 would have increased / decreased by R11 082 (30 June 2013: R66 689). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

45.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

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2014	2013
R	R

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

45 FINANCIAL INSTRUMENTS (Continued)

45.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2014								
Non-interest Bearing		0.00%	24 695 152	24 695 152	-	-	-	-
Variable Interest Rate Instruments		16.17%	1 341 329	1 341 329	-	-	-	-
			26 036 480	26 036 480	-	-	-	-
30 June 2013								
Non-interest Bearing		0.00%	26 073 470	26 073 470	-	-	-	-
Variable Interest Rate Instruments		1.60%	875 104	875 104	-	-	-	-
			26 948 573	26 948 573	-	-	-	-
			463 339.57					

The municipality has access to financing facilities, the total unused amount which is R0 (2013: R76 263), at the reporting date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

45.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

46 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2013 revealed that the fund had a deficit of R 10 million (30 June 2012: R 18 million), with a funding level of 99,7% (30 June 2012: 99,4%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R 31,425 million (30 June 2012: (R 7,980)) million, with funding levels of 100,2% and 100,0% (30 June 2012: 99,9% and 100%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Lekana Pension Fund (Previously SAMWU National Provident Fund)

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (7,5%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2013.

The statutory valuation performed as at 1 July 2013 revealed that the assets of the fund amounted to R10 439.2 (1 July 2012: R 8 753.4) million, with funding levels of 100% (1 July 2012: 100%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

GARIEP MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014 **2013**
R **R**

47 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

47.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Mr. T Mawonga	Municipal Manager	Director of Joe Gqabi Economic Development Agency.
Mr. T.Z. Notyoke	Councillor	Representative councilor of Gariep Local Municipality in Joe Gqabi District Municipality.

47.2 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

48 CONTINGENT LIABILITIES

	20 971 357	50 000 000
48.1 Court Proceedings:		
(i) Dispute on Paying over of Fees: The municipality is being sued by Cape Joint Retirement Fund and Cape Joint Pension Fund, for not paying over fees collected on their behalf from employees.	601 920	
(ii) Claim on IT System: A claim was received from Data -M Computers Software of losses sustained when the municipality terminated the contract.	369 437	
(iii) Landfill licensing fees and penalties: Possible License Fees and Penalties to be paid in the licensing of Landfill Sites in terms of National Environmental Management Waste Act.	20 000 000	50 000 000

49 EVENTS AFTER THE REPORTING DATE

Subsequent to 30 June 2014 the Municipality has obtained three Landfill Licenses, and two licenses remain outstanding. The possible contingent liability as at 30 June 2014 has already been adjusted based on the subsequent receipt of the mentioned licenses.

50 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and Prior Period Errors (Note 40).

51 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

- (i) On 28 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.
- (ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
GARIEP MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
ANNUITY LOANS	R				R	R	R	R
DBSA 61000317	3 000 000	5.00%	61000644	30/09/2018	2 057 464.00	-	504 489.00	1 552 975.00
Total Annuity Loans	3 000 000				2 057 464.00	-	504 489.00	1 552 975.00

ANNUITY LOANS:

DBSA:

Structured unsecured 10 year loan for projects. Original loan capital of R3 000 000 is repayable semi-annually in fixed rate interest.

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying
	Opening	Additions	Under Construction	Transfers	Disposals	Closing	Opening	Additions	Transfers	Disposals	Closing	Value
	Balance					Balance	Balance				Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings												
<u>Land:</u>												
Land - Developed	56 884 050	-	-	-	-	56 884 050	(5 167)	(1 103)	-	-	(6 270)	56 877 780
Land - Undeveloped	2 526 000	-	-	-	-	2 526 000	-	-	-	-	-	2 526 000
<u>Buildings:</u>												
Warehouses and Storage Facilities	536 000	-	-	-	-	536 000	(89 317)	(17 854)	-	-	(107 171)	428 829
Workshops and Depots	232 095	-	-	-	-	232 095	(7 731)	(7 731)	-	-	(15 462)	216 634
Other Buildings	54 747 398	-	-	-	-	54 747 398	(9 123 392)	(1 829 428)	-	-	(10 952 820)	43 794 578
Carports	66 600	-	-	-	-	66 600	(3 328)	(3 328)	-	-	(6 655)	59 945
Electricity Supply	68 465	-	-	-	-	68 465	(17 114)	(3 421)	-	-	(20 535)	47 930
	115 060 608	-	-	-	-	115 060 608	(9 246 049)	(1 962 864)	-	-	(11 108 912)	103 951 696
Infrastructure												
<u>Electricity:</u>												
Electricity Cables - LV	1 592 042	-	-	-	-	1 592 042	(79 548)	(79 548)	-	-	(159 095)	1 432 946
Electricity Cables - MV	99 898	-	-	-	-	99 898	(2 661)	(4 497)	-	-	(7 158)	92 740
Electricity Lines - Overhead LV	86 055 855	-	-	-	-	86 055 855	(5 256 000)	(4 299 848)	-	-	(9 555 848)	76 500 007
Electricity Lines - Overhead MV	1 177 452	-	-	-	-	1 177 452	(58 832)	(58 832)	-	-	(117 665)	1 059 787
Electricity Meters - Conventional	558 800	-	-	-	-	558 800	(37 126)	(37 126)	-	-	(74 452)	484 348
Electricity Meters - Prepaid	2 859 150	-	-	-	-	2 859 150	(190 471)	(190 471)	-	-	(380 942)	2 478 208
Electricity Supply and Reticulation	-	-	15 096 060	-	-	15 096 060	-	-	-	-	-	15 096 060
Switchgear Equipment	134 400	-	-	-	-	134 400	(6 715)	(6 715)	-	-	(13 431)	120 969
Breakers	46 768	-	-	-	-	46 768	(2 337)	(2 337)	-	-	(4 674)	42 094
Transformers - Mini Sub	88 800	-	-	-	-	88 800	(8 398)	(2 958)	-	-	(11 355)	77 445
Transformers - Pole	1 334 563	-	-	-	-	1 334 563	(124 542)	(66 682)	-	-	(391 225)	943 338
Electricity - Perimeter Protection	15 381	-	-	-	-	15 381	(15 381)	-	-	-	(15 381)	-
Electricity - Security Lights	24 785	-	-	-	-	24 785	(991)	(991)	-	-	(1 981)	22 803
<u>Roads and Transport:</u>												
Roads - Asphalt	5 891 907	-	-	-	-	5 891 907	(1 488 826)	(392 507)	-	-	(1 881 333)	4 010 574
Roads - Concrete Surface	30 185 013	-	-	-	-	30 185 013	(3 706 607)	(2 010 865)	-	-	(5 717 472)	24 467 540
Road Structural Layer	43 537 986	6 396 099	-	17 042 381	-	66 976 465	(13 812 754)	(4 786 348)	-	-	(18 599 103)	48 377 363
Roads - Gravel Surface	18 803 093	-	-	-	-	18 803 093	(7 802 244)	(1 878 765)	-	-	(9 681 009)	9 122 084
Street Lighting	5 000 286	-	-	-	-	5 000 286	(199 880)	(199 880)	-	-	(399 760)	4 600 526
High Mast Lights	303 410	-	-	-	-	303 410	(60 675)	(12 128)	-	-	(72 804)	230 606
Streetname Signs	113 924	-	-	-	-	113 924	(5 692)	(5 692)	-	-	(11 385)	102 539
Speed Humps - Asphalt	126 944	-	-	-	-	126 944	(2 517)	(2 517)	-	-	(5 074)	121 869
Speed Humps - Paved	18 000	-	-	-	-	18 000	(360)	(360)	-	-	(719)	17 281
Traffic Signs	632 122	-	-	-	-	632 122	(90 233)	(90 233)	-	-	(180 465)	451 657
Storm water - Culverts: Concrete	10 206 565	-	-	-	-	10 206 565	(989 914)	(637 474)	-	-	(1 627 387)	8 579 177
<u>Sanitation:</u>												
Landfill Site - Structure	-	-	60 188	-	-	60 188	-	-	-	-	-	60 188
<u>Security Measures:</u>												
Fencing / Perimeter Protection	74 000	-	-	-	-	74 000	(36 990)	(7 394)	-	-	(44 384)	29 616
	208 881 141	6 396 099	15 156 248	17 042 381	-	247 475 870	(34 179 813)	(14 774 280)	-	-	(48 954 103)	198 521 767
Community Assets												
<u>Sports Facilities:</u>												
Stadiums	2 574 000	-	-	-	-	2 574 000	(128 612)	(128 612)	-	-	(257 224)	2 316 776
Soccer Fields	77 000	-	-	-	-	77 000	(3 847)	(3 847)	-	-	(7 695)	69 305
<u>Other Facilities:</u>												
Care Centers	626 418	-	-	-	-	626 418	(28 065)	(20 865)	-	-	(48 930)	577 488
Clinics and Hospitals	1 932 269	-	-	-	-	1 932 269	(64 362)	(64 362)	-	-	(128 724)	1 803 545
Community Centers	8 654 001	-	3 500 803	-	-	8 654 001	(508 766)	(171 648)	-	-	(680 414)	7 973 587
Libraries	2 503 500	-	-	-	-	2 503 500	(372 843)	(83 389)	-	-	(456 232)	2 047 268
Mortuaries / Churches	3 532 500	-	-	-	-	3 532 500	(588 643)	(117 664)	-	-	(706 307)	2 826 193
Public Conveniences and Bathrooms	197 058	-	-	-	-	197 058	(6 564)	(6 564)	-	-	(13 128)	183 931
Schools	1 058 500	-	-	-	-	1 058 500	(176 384)	(35 258)	-	-	(211 642)	846 858
Transport Facilities	-	-	1 595 406	-	-	1 595 406	-	-	-	-	-	1 595 406
Vehicle Testing Centers	11 000	-	-	-	-	11 000	(1 833)	(366)	-	-	(2 199)	8 801
	17 661 444	-	5 096 208	-	-	22 757 652	(1 879 918)	(632 575)	-	-	(2 512 494)	20 249 158

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying
	Opening	Additions	Under Construction	Transfers	Disposals	Closing	Opening	Additions	Transfers	Disposals	Closing	Value
	Balance					Balance	Balance				Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Leased Assets												
Leased Office Equipment	11 006 768	-	-	-	-	11 006 768	(8 066 619)	(2 358 581)	-	-	(10 425 200)	581 568
	11 006 768	-	-	-	-	11 006 768	(8 066 619)	(2 358 581)	-	-	(10 425 200)	581 568
Other Assets												
<u>Bins and Containers:</u>												
Household Refuse Bins	7 269	-	-	-	-	7 269	(7 137)	(138)	-	-	(7 255)	14
<u>Computer Equipment:</u>												
Computer Hardware (including Operating Systems)	931 878	53 129	-	-	-	985 007	(611 560)	(115 598)	-	-	(727 158)	257 849
<u>Emergency Equipment:</u>												
Fire Fighting Equipment	4 717	-	-	-	-	4 717	(4 717)	-	-	-	(4 717)	-
Medical and Allied Equipment:	1 062	-	-	-	-	1 062	(1 062)	-	-	-	(1 062)	-
<u>Furniture and Fittings:</u>												
Cabinets and Cupboards	299 211	-	-	-	-	299 211	(210 378)	(29 896)	-	-	(240 275)	58 936
Chairs	470 720	-	-	-	-	470 720	(387 647)	(27 768)	-	-	(415 416)	55 304
Desks and Tables	305 647	-	-	-	-	305 647	(182 541)	(30 540)	-	-	(213 081)	92 566
Domestic / Hostel Furniture	18 205	-	-	-	-	18 205	(14 830)	(1 819)	-	-	(16 649)	1 556
Other Furniture and Fittings	78 907	5 149	-	-	-	84 056	(77 761)	(853)	-	-	(78 614)	5 442
Audiovisual Equipment	49 265	-	-	-	-	49 265	(43 521)	(1 977)	-	-	(45 497)	3 768
Domestic Equipment	55 311	3 100	-	-	-	58 411	(47 686)	(2 153)	-	-	(49 840)	8 571
Kitchen Appliances	72 990	-	-	-	-	72 990	(71 444)	(420)	-	-	(71 864)	1 126
Music Instruments	55 450	-	-	-	-	55 450	(44 916)	(5 540)	-	-	(50 456)	4 994
<u>Transport Assets</u>												
Bakkies (LDV's)	3 307 828	-	-	-	-	3 307 828	(2 977 828)	-	-	-	(2 977 828)	330 000
Motor Cars	968 817	-	-	-	-	968 817	(872 117)	-	-	-	(872 117)	96 700
Trailers and Accessories	7 000	-	-	-	-	7 000	(6 300)	-	-	-	(6 300)	700
Trucks	248 740	-	-	-	-	248 740	(223 940)	-	-	-	(223 940)	24 800
<u>Office Equipment:</u>												
Office Equipment / Machines	2 687 005	9 845	-	-	-	2 696 850	(1 899 497)	(456 989)	-	-	(2 356 486)	340 364
Photographic Equipment	1 125	-	-	-	-	1 125	(312)	(375)	-	-	(687)	438
<u>Plant and Equipment:</u>												
Gardening Equipment	12 200	-	-	-	-	12 200	(12 200)	-	-	-	(12 200)	-
Radio Equipment	21 600	-	-	-	-	21 600	(11 216)	(5 396)	-	-	(16 632)	4 968
Workshop Tools	330 067	13 890	-	-	-	343 957	(292 382)	(14 539)	-	-	(306 921)	37 036
Other Plant and Equipment	238 609	-	-	-	-	238 609	(238 609)	-	-	-	(238 609)	-
	10 179 621	85 113	-	-	-	10 258 734	(8 239 621)	(689 982)	-	-	(8 939 603)	1 325 131
Total	362 787 583	6 481 212	20 252 456	17 042 381	-	406 563 632	(61 612 022)	(20 922 290)	-	-	(81 934 311)	324 629 321

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties												
IP Land	20 489 017	3 625 983	-	-	-	24 115 000	-	-	-	-	-	24 115 000
IP Farms	605 900	-	-	-	-	605 900	-	-	-	-	-	605 900
IP Flats Block	3 950 000	460 917	-	-	-	4 410 917	(329 122)	(65 788)	-	-	(394 910)	4 016 007
	25 044 917	4 086 900				29 131 817	(329 122)	(65 788)			(394 910)	28 736 907

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets												
Computer Software	1 034 384	-	-	-	-	1 034 384	(258 419)	(258 419)	-	-	(516 838)	517 546
	1 034 384					1 034 384	(258 419)	(258 419)			(516 838)	517 546

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF BIOLOGICAL ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Biological Assets												
Game Animals	164 875	79 900	-	-	-	244 775	-	-	-	-	-	244 775
	164 875	79 900				244 775						244 775

APPENDIX B
GARIEP LOCAL MUNICIPALITY
ANALYSIS OF HERITAGE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets												
Historical Buildings / Sites	213 000	-	-	-	-	213 000	-	-	-	-	-	213 000
	213 000					213 000						213 000
Total Asset Register	389 244 759	10 648 012	20 252 456	17 042 381	-	437 187 608	(62 199 562)	(20 646 497)			(82 846 059)	354 341 548

APPENDIX C
GARIEP LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF CAPITAL ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation					Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R	R
<i>Executive and Council</i>	2 445 326	27 477	-	-	2 472 803	(1 707 445)	(477 455)	(2 184 900)	287 903
<i>Finance and Administration</i>	9 239 048	42 506	-	-	9 281 554	(6 836 586)	(1 314 744)	(8 151 330)	1 130 224
<i>Planning and Development</i>	1 471 672	310	-	-	1 471 982	(1 138 951)	(173 297)	(1 312 248)	159 733
<i>Health</i>	3 045 654	41 917	-	-	3 087 571	(116 391)	(93 850)	(210 241)	2 877 330
<i>Community and Social Services</i>	155 717 183	4 059 804	3 500 803	-	163 277 790	(14 032 200)	(3 230 948)	(17 263 149)	146 014 641
<i>Public Safety</i>	1 746 390	-	-	-	1 746 390	(1 136 946)	(439 853)	(1 576 799)	169 591
<i>Sport and Recreation</i>	3 758 075	79 900	-	-	3 837 975	(395 501)	(146 034)	(541 535)	3 296 440
<i>Waste Management</i>	1 315 160	-	60 188	-	1 375 348	(1 184 060)	-	(1 184 060)	191 288
<i>Roads and Transport</i>	109 515 553	6 396 099	1 595 406	17 042 381	134 549 438	(27 899 167)	(9 804 781)	(37 703 948)	96 845 490
<i>Electricity</i>	100 990 698	-	15 096 060	-	116 086 758	(7 752 315)	(4 965 534)	(12 717 849)	103 368 909
	389 244 758.90	10 648 012	20 252 455.77	17 042 381.10	437 187 608	(62 199 562)	(20 646 497)	(82 846 059)	354 341 548

APPENDIX D
GARIEP MUNICIPALITY

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)	Description	2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)
R	R	R		R	R	R
12 593 672	14 371 258	(1 777 586)	Executive and Council	9 740 135	14 138 427	(4 398 293)
17 694 763	25 463 116	(7 768 352)	Finance and Administration	17 826 907	33 481 041	(15 654 134)
130 256	4 271	125 985	Health	-	4 757	(4 757)
3 775 112	6 284 234	(2 509 122)	Community and Social Services	3 951 745	6 732 239	(2 780 494)
-	610 136	(610 136)	Housing	-	484 800	(484 800)
1 197 696	1 562 991	(365 295)	Public Safety	1 325 887	1 643 588	(317 701)
32 109	1 338 485	(1 306 376)	Sport and Recreation	704 661	2 106 275	(1 401 614)
14 941 370	6 186 370	8 755 000	Waste Management	17 668 197	3 400 965	14 267 232
11 620 288	14 288 604	(2 668 316)	Roads and Transport	13 880 615	14 896 023	(1 015 408)
16 250 228	27 497 291	(11 247 062)	Electricity	13 590 779	26 781 801	(13 191 022)
2 642 659	2 919 583	(276 924)	Other	6 384 825	3 670 292	2 714 533
80 878 153	100 526 339	(19 648 186)	Total	85 073 751	107 340 209	(22 266 458)

APPENDIX E(1)
GARIEP MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14									2012/13	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD											
Governance and Administration:											
Executive and Council	10 259 538	(2 500 000)	7 759 538	0	7 759 538	9 740 135	-	1 980 597	125.52	94.94	12 593 672
Budget and Treasury Office	19 868 750	3 515 657	23 384 407	(1)	23 384 405	17 826 907	-	(5 557 499)	76.23	89.72	17 694 763
Corporate Services	1 814 125	658	1 814 782	117 000	1 931 782	6 384 825	-	4 453 043	330.51	351.95	2 642 659
Community and Public Safety:											
Community and Social Services	4 695 648	(56 619)	4 639 029	0	4 639 029	3 951 745	-	(687 284)	85.18	84.16	3 775 112
Sport and Recreation	2 031 169	(490 817)	1 540 352	0	1 540 352	704 661	-	(835 691)	45.75	34.69	32 109
Public Safety	1 004 236	(219 908)	784 328	-	784 328	1 325 887	-	541 558	169.05	132.03	1 197 696
Health	-	-	-	-	-	-	-	-	0.00	0.00	130 256
Economic and Environmental Services:											
Road Transport	21 674 776	-	21 674 776	0	21 674 776	13 880 615	-	(7 794 161)	64.04	64.04	11 620 288
Trading Services:											
Electricity	43 347 606	(24 520 570)	18 827 035	(0)	18 827 035	13 590 779	-	(5 236 256)	72.19	31.35	16 250 228
Waste Management	12 382 952	5 885 591	18 268 543	0	18 268 543	17 668 197	-	(600 346)	96.71	142.68	14 941 370
Total Revenue - Standard	117 078 799	(18 386 008)	98 692 791	116 999	98 809 789	85 073 751	-	(13 736 039)	86.10	72.66	80 878 153
EXPENDITURE - STANDARD											
Governance and Administration:											
Executive and Council	14 671 848	1 291 521	15 963 369	(0)	15 963 369	14 138 427	-	(1 824 942)	88.57	96.36	14 371 258
Budget and Treasury Office	46 623 497	(526 343)	46 097 153	84 257	46 181 411	33 481 041	-	(12 700 370)	72.50	71.81	25 463 116
Corporate Services	5 249 324	(429 149)	4 820 176	117 000	4 937 176	3 670 292	-	(1 266 884)	74.34	69.92	2 919 583
Community and Public Safety:											
Community and Social Services	8 676 297	(1 116 115)	7 560 182	0	7 560 182	6 732 239	-	(827 943)	89.05	77.59	6 284 234
Sport and Recreation	4 141 703	(1 273 029)	2 868 674	(0)	2 868 674	2 106 275	-	(762 399)	73.42	50.86	1 338 485
Public Safety	2 407 713	(716 231)	1 691 482	49	1 691 531	1 643 588	-	(47 943)	97.17	68.26	1 562 991
Housing	1 590 634	(1 069 425)	521 209	(0)	521 209	484 800	-	(36 409)	93.01	30.48	610 136
Health	-	-	-	-	-	4 757	-	4 757	0.00	0.00	4 271
Economic and Environmental Services:											
Road Transport	10 721 210	1 392 297	12 113 507	(84 257)	12 029 250	14 896 023	-	2 866 774	123.83	138.94	14 288 604
Trading Services:											
Electricity	48 477 626	(3 717 199)	44 760 427	229	44 760 657	26 781 801	-	(17 978 856)	59.83	55.25	27 497 291
Water	-	-	-	-	-	-	-	-	0.00	0.00	-
Waste Water Management	-	-	-	-	-	-	-	-	0.00	0.00	-
Waste Management	11 868 846	(1 307 118)	10 561 728	(0)	10 561 728	3 400 965	-	(7 160 764)	32.20	28.65	6 186 370
Total Expenditure - Standard	154 428 698	(7 470 790)	146 957 908	117 279	147 075 186	107 340 209	-	(39 734 978)	72.98	69.51	100 526 339
Surplus/(Deficit) for the year	(37 349 899)	(10 915 218)	(48 265 117)	(280)	(48 265 397)	(22 266 458)	-	25 998 939	0.00	0.00	(19 648 186)

APPENDIX E(2)
GARIEP MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14									2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE										
Vote 1 - BUDGET & TREASURY OFFICE	19 868 750	3 515 657	23 384 407	(1)	23 384 405	17 826 907	(5 557 499)	76.23	89.72	17 694 763
Vote 2 - COMMUNITY SERVICES	20 114 005	5 118 248	25 232 252	0	25 232 252	23 650 490	(1 581 762)	93.73	117.58	20 076 543
Vote 3 - CORPORATE SERVICES	1 814 125	658	1 814 782	117 000	1 931 782	6 384 825	4 453 043	330.51	351.95	2 642 659
Vote 4 - EXECUTIVE AND COUNCIL	10 259 538	(2 500 000)	7 759 538	0	7 759 538	9 740 135	1 980 597	125.52	94.94	12 593 672
Vote 5 - TECHNICAL SERVICES	65 022 382	(24 520 570)	40 501 812	(0)	40 501 812	27 471 395	(13 030 417)	67.83	42.25	27 870 516
Total Revenue by Vote	117 078 799	(18 386 008)	98 692 791	116 999	98 809 789	85 073 751	(13 736 039)	86.10	72.66	80 878 153
EXPENDITURE BY VOTE										
Vote 1 - BUDGET & TREASURY OFFICE	46 623 497	(526 343)	46 097 153	84 257	46 181 411	33 481 041	(12 700 370)	72.50	71.81	25 463 116
Vote 2 - COMMUNITY SERVICES	27 094 560	(4 412 493)	22 682 067	49	22 682 116	13 887 824	(8 794 292)	61.23	51.26	15 376 352
Vote 3 - CORPORATE SERVICES	5 249 324	(429 149)	4 820 176	117 000	4 937 176	3 670 292	(1 266 884)	74.34	69.92	2 919 583
Vote 4 - EXECUTIVE AND COUNCIL	14 671 848	1 291 521	15 963 369	(0)	15 963 369	14 138 427	(1 824 942)	88.57	96.36	14 371 258
Vote 5 - TECHNICAL SERVICES	60 789 469	(3 394 327)	57 395 143	(84 027)	57 311 115	42 162 624	(15 148 491)	73.57	69.36	42 396 031
Total Expenditure by Vote	154 428 698	(7 470 790)	146 957 908	117 279	147 075 186	107 340 209	(39 734 978)	72.98	69.51	100 526 339
Surplus/(Deficit) for the year	(37 349 899)	(10 915 218)	(48 265 117)	(280)	(48 265 397)	(22 266 458)	25 998 939	0.00	0.00	(19 648 186)

APPENDIX E(3)
GARIEP MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source											
Property Rates	-	-	-	-	-	7 637 441	-	7 637 441	0.00	0.00	6 292 100
Property Rates - Penalties & Collection Charges	6 923 924	1 029 610	7 953 533	(0)	7 953 533	34 986	-	(7 918 547)	0.44	0.51	-
Service Charges - Electricity	41 001 133	(24 657 878)	16 343 256	(0)	16 343 256	11 278 215	-	(5 065 040)	69.01	27.51	10 105 272
Service Charges - Water	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Sanitation	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Refuse	5 280 748	5 885 591	11 166 339	0	11 166 339	11 510 750	-	344 411	103.08	217.98	10 398 619
Service Charges - Other	22 000	(8 823)	13 177	0	13 177	88	-	(13 088)	0.67	0.40	2 233
Rental of Facilities and Equipment	449 326	(40 185)	409 141	0	409 141	184 862	-	(224 279)	45.18	41.14	131 398
Interest Earned - External Investments	1 071 151	19 566	1 090 717	(0)	1 090 717	179 156	-	(911 561)	16.43	16.73	106 388
Interest Earned - Outstanding Debtors	4 224	5 449 740	5 453 964	-	5 453 964	2 619 579	-	(2 834 385)	48.03	62 016.55	6 045 543
Dividends Received	-	-	-	-	-	-	-	-	0.00	0.00	-
Fines	104 524	(85 894)	18 630	-	18 630	14 443	-	(4 186)	77.53	13.82	22 218
Licences and Permits	-	-	-	-	-	-	-	-	0.00	0.00	-
Agency Services	4 902 074	(158 048)	4 744 026	-	4 744 026	3 440 537	-	(1 303 490)	72.52	70.19	1 069 619
Transfers Recognised - Operational	(178 502 991)	(202 726 488)	(381 229 479)	117 000	(381 112 479)	16 303 942	-	397 416 421	0.00	0.00	45 986 948
Other Revenue	327 535	200 227	527 762	(1)	527 761	4 553 671	-	4 025 910	862.83	1 390.28	717 814
Gains on Disposal of PPE	-	-	-	-	-	-	-	-	0.00	0.00	-
Total Revenue (excluding Capital Transfers & Contributions)	(118 416 352)	(215 092 582)	(333 508 934)	116 999	(333 391 936)	57 757 671	-	391 149 607	0.00	0.00	80 878 153
Expenditure											
Employee Related Costs	38 058 194	(6 381 514)	31 676 680	413 358	32 090 039	29 606 896	-	(2 483 143)	92.26	77.79	28 357 300
Remuneration of Councillors	1 780 717	1 134 041	2 914 758	(7 200)	2 907 558	2 853 279	-	(54 279)	98.13	160.23	2 905 958
Debt Impairment	2 506 029	-	2 506 029	450 000	2 956 029	4 267 624	1 311 595	1 311 595	144.37	170.29	4 063 232
Depreciation and Asset Impairment	8 094 490	-	8 094 490	(0)	8 094 490	20 640 581	12 546 090	12 546 090	255.00	255.00	20 572 382
Finance Charges	1 958 420	651 413	2 609 833	(209 833)	2 400 000	4 592 470	2 192 470	2 192 470	191.35	234.50	2 408 884
Bulk Purchases	38 806 856	-	38 806 856	0	38 806 856	18 389 777	-	(20 417 079)	47.39	47.39	19 070 499
Other Materials	2 848 666	125 669	2 974 335	(145 658)	2 828 677	1 104 571	-	(1 724 106)	39.05	38.78	1 599 994
Contracted Services	11 219 293	1 571 145	12 790 437	4 375	12 794 812	11 809 329	-	(985 483)	92.30	105.26	9 355 347
Transfers and Grants	31 019 742	(2 358 967)	28 660 774	82 937	28 743 711	1 101 377	-	(27 642 334)	3.83	3.55	827 950
Other Expenditure	18 136 291	(2 212 577)	15 923 714	(470 701)	15 453 013	12 974 305	-	(2 478 708)	83.96	71.54	11 364 793
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	0.00	0.00	-
Total Expenditure	154 428 698	(7 470 790)	146 957 908	117 279	147 075 186	107 340 209	16 050 155	(39 734 978)	72.98	69.51	100 526 339
Surplus/(Deficit)	(272 845 050)	(207 621 792)	(480 466 842)	(280)	(480 467 122)	(49 582 538)	(16 050 155)	430 884 584	0.00	0.00	(19 648 186)
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	432 201 725	27 316 080	-	(404 885 645)	6.32	11.60	-
Contributions Recognised - Capital	-	-	-	-	-	-	-	-	0.00	0.00	-
Contributed Assets	-	-	-	-	-	-	-	-	0.00	0.00	-
Surplus/(Deficit) after Capital Transfers and Contributions	(37 349 899)	(10 915 218)	(48 265 117)	(280)	(48 265 397)	(22 266 458)	(16 050 155)	25 998 939	0.00	0.00	(19 648 186)
Surplus / (Deficit) from Discontinued Operations	-	-	-	-	-	-	-	-	0.00	0.00	-
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-	0.00	0.00	-
Surplus/(Deficit) for the Year	(37 349 899)	(10 915 218)	(48 265 117)	(280)	(48 265 397)	(22 266 458)	(16 050 155)	25 998 939	-	-	(19 648 186)

APPENDIX E(4)
GARIEP MUNICIPALITY

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14								2012/13
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	62 114 000	-	62 114 000	47 049 500	36 599 049	(10 450 451)	77.79	58.92	25 676 789
Government - Operating	(189 149 151)	(196 706 574)	(385 855 725)	(380 406 725)	13 177 858				12 677 914
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	27 316 080	(404 885 645)	6.32	11.60	27 211 034
Interest	-	-	-	-	179 156	179 156	0.00	0.00	106 388
Payments									
Suppliers and Employees	(123 291 258)	(2 358 967)	(125 650 226)	(118 126 246)	(56 662 742)	61 463 504	0.00	0.00	(54 814 703)
Finance Charges	(240 000)	-	(240 000)	(240 000)	(4 592 470)	(4 352 470)	0.00	0.00	(2 408 884)
Transfers and Grants	(31 019 742)	2 358 967	(28 660 774)	(28 743 711)	(1 101 377)	27 642 334	0.00	0.00	(827 950)
NET CASH FROM / (USED) OPERATING ACTIVITIES	(46 091 000)	(0)	(46 091 000)	(48 265 457)	14 915 553	(330 403 573)	0.00	0.00	7 620 590
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	-	-	0.00	0.00	-
Decrease / (Increase) in Non-current Debtors	(200 000)	-	(200 000)	(309 833)	-	309 833	0.00	0.00	-
Payments									
Capital Assets	(19 383 000)	-	(19 383 000)	(19 383 000)	(11 737 781)	7 645 219	0.00	0.00	(8 015 416)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(19 583 000)	-	(19 583 000)	(19 692 833)	(11 737 781)	7 955 052	0.00	0.00	(8 015 416)
CASH FLOWS FROM FINANCING ACTIVITIES									
Payments									
Loans repaid	-	-	-	-	(2 711 547)	(2 711 547)	0.00	0.00	(1 833 590)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	(2 711 547)	(2 711 547)	0.00	0.00	(1 833 590)
NET INCREASE / (DECREASE) IN CASH HELD	65 674 000	-	65 674 000	67 958 290	(466 225)	(68 424 515)	0.00	0.00	2 228 416
Cash / Cash Equivalents at the Year begin:	603 576	-	603 576	603 576	883 504	279 928	146.38	146.38	3 111 920
Cash / Cash Equivalents at the Year end:	(65 070 424)	-	(65 070 424)	(67 354 714)	1 349 729	68 704 442	0.00	0.00	883 504

APPENDIX F
GARIEP MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies Delayed / Withheld			
	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June
Financial Management Grant	1 650 000	0	0	0	440 942	579 474	235 132	394 452	N/A	N/A	N/A	N/A
Equitable share	8 905 000	6 898 000	6 402 000	0	8 905 000	6 898 000	6 402 000	0	127 000	1 638 000	1 638 000	N/A
Municipal Infrastructure Grant	3 811 000	3 811 000	3 812 000	0	2 510 856	2 716 441	1 366 643	5 312 651	N/A	N/A	N/A	N/A
Municipal System Improvement Grant	890 000	0	0	0	257 629	150 000	328 058	154 848	N/A	N/A	N/A	N/A
Extended Public Works Programme	400 000	300 000	300 000		82 133	302 200	317 591	286 043	N/A	N/A	N/A	N/A
LGWSETA Incentive Grant	0	0	0	0	0	0	0	0	N/A	N/A	N/A	N/A
DSRAC Libraries	0	1 147 000	0	0	287 797	307 386	325 970	265 646	N/A	N/A	N/A	N/A
Capacity Building Grant	117 000	0	0	0	45 225	29 001	25 000	25 000	N/A	N/A	N/A	N/A
Department Local Government	0	0	0	500 000	0	499 628	0	0	N/A	N/A	N/A	N/A
Department Economic Development	0	0	0	1 500 000	0	0	0	632 251	N/A	N/A	N/A	N/A
Programme Grant	0	0	0	0	99 898	0	0	0	N/A	N/A	N/A	N/A
Total Grants and Subsidies Received	15 773 000	12 156 000	10 514 000	2 000 000	12 629 480	11 482 129	9 000 394	7 070 891	127 000	1 638 000	1 638 000	0

APPENDIX G
GARIEP MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R
Mayor							
NW Ngoqo	403 283	-	177 204	39 668	8 309	-	628 464
Other Councillors							
SB Kolasi	196 759	-	18 114	-	-	-	214 873
E Brien	196 759	-	18 114	-	-	-	214 873
MK Mnyombolo	250 707	-	18 114	-	-	-	268 821
TZ Notyeke	150 858	-	64 015	-	-	-	214 873
N Mabunu	191 800	-	77 021	-	-	-	268 821
B Kweyiya	250 707	-	18 114	-	-	-	268 821
P Kayster	196 759	-	18 114	-	-	-	214 873
AM van Zyl	150 858	-	64 015	-	-	-	214 873
NTT Kula	263 552	-	18 114	-	-	-	281 666
Municipal Manager							
T Mawonga	824 364	179 048	287 285	50 055	-	19 284	1 360 036
Chief Financial Officer							
ML Mosala	636 982	163 295	18 000	87 334	-	17 643	923 254
Manager: Community Services							
L Nyezi	385 982	148 238	197 115	65 416	62 143	20 970	879 863
Manager: Corporate Services							
MN Pietersen & W Nodwele	109 200	7 000	113 295	-	-	-	229 495
Manager: Infrastructure							
	-	-	-	-	-	-	-
Manager: Strategic Services							
	-	-	-	-	-	-	-
Manager: Technical Services							
L Majikijela & Z. Nongene	24 708	94 551	-	-	-	-	119 259
Total for Management	4 208 569	497 581	1 106 635	242 473	70 452	57 896	6 183 606